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INTRABLOC AFFAIRS

Romanian Government Muzzles Press Efforts To Blame Hungarians

91CH0021A Budapest NEPSZABADSAG in Hungarian
10 Sep 90 p 3

[MTI [Hungarian Telegraph Agency] report: "Romanian Silencer Applied After Fogaras Explosion"]

[Text] A televised report on information conveyed by the weekly newspaper ROMANIA MARE blamed extremist Hungarian forces for the explosion at the Fogaras chemical combine. The government press office stopped further reporting of the weekly newspaper's report.

In its statement the press office announced that Prime Minister Petre Roman established a governmental committee to investigate the Fogaras industrial accident. The committee will examine the measurement and control instruments located in the control room of the exploded plant, and will hear witnesses. Experts from the foreign firm which delivered the equipment also arrived at the scene and joined the investigation.

The government press office also stated that "any speculation related to the events may cause disturbances and a lack of confidence." For this reason the government requested press organs, radio and television to abstain from taking positions relative to the explosion, and to await the report to be issued by the government committee. The report will be publicized upon completion of the investigation.

Sunday's newspapers reporting on the press office statement also stated that the explosion released great force. After the detonation, the entire populace of Fogaras was on its feet, and every window and shop window within a five-to-six-km radius was broken. Tiles were falling from roofs, and chimneys collapsed.

On Saturday morning Romanian television reported that Friday's explosion in the Fogaras chemical works may be a result of sabotage by "extremist Hungarian forces." This report was based on information published in the extremist, nationalist, anti-Hungarian weekly ROMANIA MARE, and received from the Romania Mare Foundation.

Slovenian President on Democratic Evolution; Cooperation Foreseen

91CH0021B Budapest NEPSZABADSAG in Hungarian
11 Sep 90 p 6

[Interview with Slovenian head of state Milan Kucan by Jozsef Gyorgy Farkas; place and date not given: "To Act Separately but Jointly"—first paragraph is NEPSZABADSAG introduction]

[Text] The other day Slovenian head of state Milan Kucan paid a visit to Hungary. From among the Yugoslav constituting republics, the Slovenian republic was

first to hold multiparty, democratic elections. As a result of these, the 49-year-old reform communist Kucan became president last April. At the same time, however, his party, the Party for Democratic Transformation—the successor to the Communist Alliance—became a minority party in the Ljubljana parliament. During his brief visit to Budapest, President Kucan granted an exclusive interview to NEPSZABADSAG.

[Farkas] Inside Yugoslavia, the most significant political changes of the recent past took place, or are beginning to take place, in Slovenia. In your person, the republic has a leftwing head of state, at the same time, however, the cabinet is composed of members of right-of-center coalition parties. Considering this split: How can you govern the republic?

[Kucan] In recent years, the Communist Alliance was the catalyzing force for reform measures in Slovenia. In the process of reforming society, the party also had to transform itself, as long as it was sincere about the realization of pluralistic conditions. And it was sincere. This then resulted in a political situation in which Slovenians were able to express in a truly democratic fashion what they wanted. Each political factor uniformly found that this amounted to none other than a peaceful, democratic, nonviolent transition to a better society. This is what the elections confirmed. The two conditions are given. On the one hand, national interests must be placed above party interests. The mutual confidence so indispensable for the achievement of this does not fall from heaven, it can only be the result of continuous, goal-oriented political activity. On the other hand, every institution of the political system—the parliament, the Cabinet, the presidency—must stringently restrict its actions to remain within the scope of its authority, along with constant public control and openness. Difficulties may arise, but as long as there exists preparedness and a sense of responsibility we may certainly rely on the legitimate means of parliamentarism and democracy.

[Farkas] Could you mention some specific examples of this situation?

[Kucan] Let's take a look at how the Slovenian parliament began framing the new constitution. As a matter of formality the proposal was advanced by the office of the president of the republic, providing a broad outline for the constitution. But even before the office of the president submitted this proposal to the legislature, it discussed the matter with every party seated in parliament. In general, it is preferable to achieve an advance understanding regarding the most important issues.

[Farkas] To what extent may Slovenia become a model for Yugoslavia? And in general: What kind of relationship did Slovenia develop with the rest of the republics?

[Kucan] I am not an advocate of political models, in general. The Slovenian events are based on our peculiar Slovenian conditions. Many partial elements of these may also be used elsewhere, of course. But because we do not want anyone to force upon us their model, under no

circumstances would we want to persuade anyone to use our solutions, claiming that these are the only solutions which lead to salvation. Differences surfaced openly amid the deep economic and political crisis of Yugoslavia. These differences justify the full enforcement of economic and political sovereignty by every nation in Yugoslavia. They must frame their own constitution, they must go through the process of becoming legally independent, and independent from the state. Using this as a base they may then settle relationships between one another. Realistic perceptions hold that a federal union will evolve, if not with the participation of all present constituent republics, but at least between Slovenia, Croatia and perhaps Bosnia-Herzegovina. Differences between these three republics are much smaller than what characterizes the rest. For example, the economic development index between Slovenia and Kosovo is 7.5 to 1.

[Farkas] Will all the republics recognize this matter? Do you perhaps hear of views which hold that Slovenia enriched itself at the expense of the other republics, and look, now they want to secede?

[Kucan] Yes, we have heard such charges. Behind these, however, one may discover political manipulation which serves some specific interests. The policies which drove Yugoslavia to a crisis know of only one truth, they serve the interests of only a single republic. They did not pick and choose among the means by which these interests were placed above all the other interests. These policies are ceaselessly in need of an opponent, because they can be proven correct only while struggling with an opponent, and by defeating the opponent, of course. But my concerns are not related to these retrograde policies. From our standpoint someone attempting to "settle" the internal affairs of Slovenia would present a problem, particularly if this attempt was made to appear as if it were "in our interest." And insofar as our alleged enrichment is concerned: In the course of 45 years the state also provided central direction for the economy, transfusing income and establishing industrial facilities according to the planners' logic. It would be impossible to determine who did, and who benefited more or less as a result. But this is not the issue. At issue is their need to search for arguments supportive of policies which try to suggest to one or another nation that it suffered an injustice. In reality the truth is that momentarily in Yugoslavia, none of the nations are feeling good. Everyone wants a different kind of community, a different life. The opportunity to accomplish this is here. Everyone may decide freely over his future, but naturally, everyone must assume responsibility for the consequences of his decision.

[Farkas] If I understand you correctly, following the internal renewal of the various republics, the system of relationships within Yugoslavia as a whole should be reconsidered. What aspects of this newly established federation would remain common?

[Kucan] Do you mean to say what may take the place of the integrating factor in Yugoslavia? In the future only an economic interest may serve as an integrating factor. A community based on the economy is needed. Quite naturally we could jointly perform functions such as defense, the securing of external borders, and the streamlining of foreign policy. Of essence is the requirement that none of this rests on ideological foundations, but on actual, practical interests. Every nation in Yugoslavia wishes to be linked to the European integration processes at the earliest possible date. To accomplish this it would be best to use as a foundation the conditions which evolved already within the European Community. The one unable to accept these conditions should pursue an independent life.

[Farkas] How do you view your visit to Hungary, the perspective of our cooperation?

[Kucan] Relations between Hungary and Slovenia are solid and stable, and are built on good foundations. The present task is to continue these relations at a higher level. Our visit had three basic purposes. First, to exchange views concerning the progress of democratization, the attendant difficulties, perhaps dangers in political life and in the transition to a market economy, particularly in relation to proprietary reform. Further, what opportunities exist for taking joint foreign policy positions? We conversed about the Alps-Adriatic working group, the Pentagonale, about the Adriatic-Danube cooperation and many other joint action possibilities. And finally, we exchanged views about the lives, role, the solidifying of the economic situation of minorities. We discussed the opening of additional border transit stations at Felsoszolnok and Martinje, and later at Pince and Tornyszentmiklos, and a railroad connection between Szentgotthard and Murszombat. We also reviewed all this with Mr. Arpad Goncz, the president of the republic. We also held negotiations concerning these matters with Vas County authorities. We found no substantial differences between our points of view. Most certainly, this view is supported by the promise made by Mr. Goncz, that he expects to visit Slovenia in October, insofar as this may be foreseen at present.

BULGARIA

Economic Weekly Criticizes Political, Legal Vacuum

90BA0346A Sofia IKONOMICHESKI ZHIVOT
in Bulgarian 5 Sep 90 p 2

[Article by Neno Nenov: "Obstinacy: Once Again About the Consequences of the Legal and Political Vacuum"]

[Text] I am writing these lines because of the fact that after the present government resigns there will be another one. Will it learn from the misfortunes of the previous one? Will it be more enterprising and decisive during these very difficult days, or will we again be bogged down by excuses? Last Tuesday, a deputy of the

Grand National Assembly, in his attempt to refute the allegation that the people's deputies are slow in deciding on procedures and in settling all other issues, used the argument that other European parliaments discuss bills drafted over several years, and that in the United States there are hundreds of such procedures. And our people, you see, are insisting on seeing direct results come out of the Grand National Assembly in only a month's time. This argument, even though it may sound plausible, is related to the improper comparison between our country's situation, where the crisis has us by the neck, and the "finely tuned" economies of the developed countries, where deputies are like artists adjusting the color and details of the legal governing of life.

It is not so in our country. And this is why the comparison is inappropriate. There is a total legal and political vacuum in our country now for the 10th month in a row. We have hit bottom with the crisis and need a revolutionary turning point in our attempt to change from one type of social system to another. The exarch's good words are wanted, but we have no time to hear them out. We are one step away from poverty, in spite of being in wealthy and prosperous Europe and not somewhere in the jungle or in the desolate Siberian fields. This is why every call to be very careful, every call to wait is not a call for rationality, but a call for indecisiveness.

Here the accusations that the Grand National Assembly is being slow are not directed so much at its legislative functions—Bulgaria, after all, is not without any laws—but at its sluggishness, which has created a political vacuum. In any case, the VNS [Grand National Assembly] has been active for only one month, whereas the government officials from 10 November of last year to 8 February of this year and until now are clearly marked. The question is: Why couldn't the government officials, those under the administration of Georgi Atanasov and later of Andrey Lukanov, even the "round-table" participants, all of them experts, why couldn't they alleviate the Bulgarian people's sufferings? Why couldn't they soften the crisis and provide a fair service for the future, at least in the area of the greatest dynamic imbalance, that of "money-income-market"? I think they could have. But they did not do their best. And, please note, it was not because of ignorance. The experts of the Lukanov administration should not be underestimated, and the opposition's economic experts should not be underestimated, either. But they, both sides, each for its own reasons, did not decide to put income policy in order. The government, instead of trying to lower the level of the money pool, started doing the more difficult: placing rocks under the feet of the weak ones to keep their heads above water. Yes, but the latter are already drowning, whereas those who have managed to accumulate enormous (according to our conditions) buying power (we have argued this before) are doing all right. So, the government's theoretical basis—that money exchange (something we defended as far back as December of last year) is a double-edged sword, that it is inhumane—has brought things to the point where the

tremendous price increases have reduced to nothing not only the wages, but also the savings of ordinary people. These same small savings, under a graduated money exchange up to a determined amount, would have been preserved unchanged, while the weight would have fallen on the owners of large sums of money. This way the government wasted the chance for a fair privatization start. This way, by avoiding one injustice, it permitted another, and things went bad anyway.

Now, just now, we hear talk in support of money exchange, but the moment, the best moment for this is lost—lost because the government as well as its opponents worried about their popularity, did not dare take this decisive step. They remained obstinate, suffering from theoretical and other scruples.

This is one of the first errors emerging from the tendency to avoid drastic measures for the economy even in the presence of a crisis situation. The other error of the governing team during the last few difficult months was the obstinate refusal to introduce rationing. Here both the government and the opposition felt that a market economy could not be started with rationing. But it cannot be started in the absence of production and goods, either. Even the blind could see that in April and May the stores were beginning to empty, and still the "concept" that rationing was not a solution continued to be supported while the stores were cleaned out completely. That is when rationing was started—after eight months of emptying the stores by those who had the money.

Couldn't the monopoly and the related price speculation have been foreseen, either? Why should the ordinary worker, employee, teacher, physician, or scientist be penalized for saving part of his supposedly large salary for years and living within the limits of his small income and thus contributing to the building of the national industry that is now being privatized and will be initially bought by those who have accumulated hundreds of thousands of leva through speculation? How are we going to protect his participation in building the national industry? Is he not a co-owner, even of one small share of this enormous national wealth? Has not the grade school teacher, who now must live on a 160-leva pension (almost the minimum), taught this same businessman who has just appeared to add from one to 101? No one is saying anything against the businessman; who else will revive the economy? We are talking about fairness at the start of the business and entrepreneurial system. This is what the government could not understand or did not evaluate as an element that could soon lead to social tension.

This is why, when we talk of what could have been done during this period and what could not been done, we should not forget that some things in the money circulation and internal debt imbalance would have been avoided if things had been "acted upon" on time and with the necessary effect.

Well, some of these unpopular measures could have cost somebody's position as minister or somebody's reputation in the party. But what is this one or that one's rating worth as compared with the catastrophic lowering of the living standard for half of all Bulgarians? We got rid of a president for just one remark. Why shouldn't we get rid of a minister for just one fair reform? History will pardon him. Should any government that is walking on hot coals at such a critical moment take such slow steps? The explanation that only one party is represented in the Cabinet is not convincing because this is a question of national responsibility that has fallen on the shoulders of certain men without regard to their [party] color. We have to suppose that the government's obstinacy in not implementing the above-mentioned measures and some other ones has turned into hardheadedness. In these revolutionary times, the Grand National Assembly, instead of getting its act together and quickly eliminating the political crisis, continues to work in slow motion. True, on Friday it did manage to approve the president's proposal, and we hope that Andrey Lukanov will nominate the new Council of Ministers without delay. Let us hope this happens as quickly as possible.

And now we go back to the beginning: Actually, neither the people's deputies nor the government work as slowly as it seems. Time simply goes by unusually fast, it passes irretrievably. Now a day is equal to months, even years. Do we feel it or not?

CZECHOSLOVAKIA

Private Association for Friendship With France Established

90CH0423A Paris LE MONDE in French 15 Sep 90
p 6

[Article by Sylvie Kauffmann]

[Text] Prague—"As far back as January, I told the French: 'Do not waste time; we risk being Germanized in five years.'" A young doctor at a Prague hospital from a family with solid Francophile traditions, Vaclav Chytil lost no time when the collapse of the Communist regime enabled Czechoslovaks to renew their ties with Europe. With his wife Jana and a dozen more fans of France, he founded a new Czech-French association, ASSO 90, which already has some 600 members in Czechoslovak territory, as well as a Slovak-French association.

ASSO 90, which began with a modest treasury fed by member dues, is unrelated to the France-Czechoslovakia Association that was financed by the old regime, for which it actually served as a propaganda tool in France.

ASSO 90 is an entirely private undertaking for which these amateurs of French culture work disinterestedly toward the simple goal of creating closer bonds between the inhabitants of the two countries and enabling their fellow countrymen to benefit from anything France can

supply in the way of scientific and cultural aid, scholarships, training, and so on. Their appeal to the French people: Make use of direct channels. Do not always try to go through the government "because here it does not work well." Moreover, bureaucracy can lay waste to the best conceived plans.

Mitterrand Speaks of Future European Confederation

90CH0423B Paris LE MONDE in French 15 Sep 90
p 6

[Article by Jean-Pierre Langellier]

[Text] On the very first day of his state visit to Czechoslovakia Thursday afternoon, 13 September, Francois Mitterrand was welcomed to the Czechoslovak Federal Assembly by its president, Alexandre Dubcek, the man of the "Prague Spring," who greeted his guest as "a democrat, a socialist, and a humanist." Developing an idea he had touched upon only hours before at the official luncheon given in his honor at the Palace by playwright and man-in-charge President Vaclav Havel, the French chief of state proposed that in 1991, Prague host a conference whose topic would be reflections on what in the long run might be a "European confederation."

"Beyond existing structures," Mitterrand suggested, "we must begin to imagine a forum in which European countries, once rid of the problems of armaments and ratios of strength that still dominate talks today, may come to a continental understanding that will commence with the opening of a continuing dialogue.... Why not begin next year to imagine a wide-ranging debate between Europeans from all cultures and belonging to different blocs, but happy to come together in a common building process? ...That is what I shall personally work for."

The French proposal could not fail to delight Havel, who called it "brilliant." In Mitterrand's mind, one must dream of—and later build—the Europe of the future, just as at the Hague Congress over which Churchill presided and in which he participated as a young member of Parliament, we "dreamed of Europe but, while dreaming, were already building it...because it took shape in only nine years."

Czechoslovakia also hopes to take its place in the Conference on Security and Cooperation in Europe (CSCE) before, and particularly after, the November summit conference in Paris—"the first rendezvous of united Europe," to use Mitterrand's phrase. In his toast, the chief of state said that "Czechoslovakia and Prague are particularly well-qualified to host the permanent institutions" of the CSCE, anticipating Havel's desire to see the permanent secretariat of the CSCE headquartered in Prague. Czechoslovakia's possible membership in the EEC would be for the far distant future. Mitterrand urged his hosts to have patience and advised them to "make the most of the circumstances" and "adapt to the

stages," which they are preparing to do because this fall they will negotiate a partnership agreement with the Twelve.

Memory of Munich

Mitterrand took advantage of the opportunity to sketch a philosophy of Europe, whose construction seems to obey more the "commandments of history" than the "virtues of men." "One constantly has the impression of butting one's head against the impossible and yet, since 1957, we have made steady progress, as if there were a predestination, some Platonic idea implying that Europe should behave in a way that would heal its wounds after a bloody history of a thousand years of greatness and torment."

The memory of Munich evoked by both Mitterrand and Havel infused the entire day in Prague. The playwright president had initially planned to invite Mitterrand and Thatcher together to commemorate the event but the idea could not stand up to French-British sensitivities. Mitterrand recalled "the tragic abandonment," and Havel, evoking the "Iraqi aggression" against Kuwait, said the "lesson of Munich" should not be forgotten. The evening before, he announced his country was planning to give military aid to Egypt and medical assistance to Saudi Arabia.

Paris and Prague enjoy excellent political relations and promising cultural relations as well. Three agreements were signed on Thursday dealing with the training of Czechoslovak upper level and management personnel, training centers in France, and the status of French cultural programs in Prague and Bratislava. The former has been remodeled and the latter will soon officially open. Several thousand trainees will study in France and hundreds of scholarships will be granted. French sections have been set up in four bilingual lycees this year and more are expected. The only dark spot: The French press is mysteriously and totally absent from newstands where all European daily newspapers appear fresh off the press.

Anti-German Map

In the opinion of the two presidents, economic and commercial relations are not on a par with "hopes or possibilities." Renault President Raymond Levy is traveling with ally Pehr Gyllenhammar, president of Volvo Sweden. Renault, which hopes to buy 49 percent of all Skoda shares in order to produce an "economy car," is neck and neck with Volkswagen in its bidding.

The affair has obvious political ramifications. France expects Czechoslovakia to take steps in its behalf, lacking which cultural cooperation could stagnate rather quickly. Paris has let Czechoslovakia know that, barely out of the Soviet orbit, it has no interest in falling under German tutelage, but on the contrary, hopes to diversify its partners to the maximum extent. Aware of the danger, Havel admitted Thursday it would "not be wise to have economic relations solely with one's closest neighbors."

In the meantime, pro-French and pro-German lobbies are vying in Palace corridors!

Crowds

After laying a wreath at the statue of St. Wenceslaus, the two men plunged into the crowd in that joyous atmosphere that is a blend of inexperience and kindness, where official bodyguards are garbed in bluejeans and sneakers and police motorcycles sport red hearts, the president's favorite image, and where, in the Old Town square, military bands play Broadway tunes. The warm "Long live Havel!" of passersby remind one that "Saint Vaclav" is without question the most popular leader on the planet.

Friday morning, the Czechoslovak president was to have his visitor christen De Gaulle Street in France's honor. Havel's sense of humor is definitely intact.

Jicinsky Comments on Concept of Federation

90CH0416A Prague LIDOVE NOVINY in Czech
1 Sep 90 pp 1-2

[Article by Alena Slezakova detailing comments by Professor Zdenek Jicinsky on Czech-Slovak relations: "Road to a Genuine Federation"]

[Text] Will the Czechoslovak Federation survive 1990? In view of a number of signals this question is not entirely beside the point. The following is an answer to it by the First Deputy of the CSFR Federal Assembly Prof. Zdenek Jicinsky.

"I always like to read Jiri Hanak," he says, "nevertheless, I feel obliged to supplement his column "Clothes for the Federation" by some pertinent reflections. In the Federation composed of two parts some tendencies toward confrontation are manifesting themselves. And that must be resisted by a conscious effort to reach an agreement not only on the basis of constitutional mechanisms, but also by political procedures on all kinds of levels. The current atmosphere is tense and both partners are given to emotionalism and prejudice. There is a feeling that what cannot be pushed through now will never be achieved. And the confrontational approach pervades not only Czech-Slovak relations, but Slovak-Hungarian and Czech-Moravian-Slovak relations as well."

Need for Goodwill

"Constitutional mechanism alone cannot ensure social consensus if there is not the will to come to an agreement. I have no doubt that it also exists in Slovakia, though not in everyone, but considerable forces are in favor of continued coexistence. On the Czech side the Slovak problems are sometimes not too well known—and that, too, results in misunderstandings. That does not mean that I consider all demands or adopted measures of the Slovak side to be correct, even though I

understand that the inflamed situation in Slovakia forces some political activists to formulate them in order to ensure continued support.

"I am convinced that in Slovakia it will be the forces interested in building a state that will determine together with the Czechs the future of mutual relations and the form of a new, genuine federation."

It Is Not a Matter of Czech Unwillingness

"Some of the Slovak demands are very categorical in tone, but those who make them must keep in mind that giving them the form of an ultimatum necessarily produces an unfavorable reaction on the Czech side. Some of the Slovak representatives should not take it as a point of departure that the Czech side has an a priori antagonism toward the new concept and arrangement of the relations between the federation and the republics and toward the strengthening of the status of the national republics. The creation of a true federation out of a unitary state—and the CSFR has been a unitary state because the federation thus far has been a facade without a content—is a complicated process and it always carries within it the danger of increasing centrifugal tendencies. And it is being proven anew what we were saying in 1968: there can be no true federation without a political democracy. But our democratic system is still in a nascent stage. The words of President Havel in Oslo should be pondered by our citizens precisely in connection with our national and nationalist relations."

What Kinds of Constitutions

"Some considerations about changes in the Czechoslovak federal arrangement suggest solutions that are inadequate. There is, for example, the proposal that the mutual coexistence in the Czechoslovak Federation be structured by some government treaty between the Czech and the Slovak representations. Such a solution, in a situation when there exists a Czechoslovak state and when in a freely elected parliament both national units are represented under a principle of equality, would be actually a denial of the existing constitution. The constitutional law on Czechoslovak Federation that is in force now certainly needs to be thought through and changed, but until new constitutions of the federation and the republics are adopted, it is the basis of Czecho-Slovak coexistence. A genuine federation cannot be understood as mere leftovers of what the national republics will have in their competence. *If there really is a desire for mutual coexistence, then the federation must ensure and express that which is advantageous for both national units.*" And that is not a little. If we really wish to become part of the European integration processes, we should not be discarding the advantages which are created in that respect by, for example, the relatively unified legislature. Given such a concept of a federation, such ideas that the constitutions of the republics will be worked out first and only then the constitution of the federation, cannot be accepted. Work on all three constitutions must be coordinated and synchronized, because otherwise it will not

be possible to ensure the unity of the basic constitutional-political principles and their proper expression in the constitutions." I do not even think it desirable to speed up the work on the constitutions during the two-year period that is allocated for it. These are complicated issues which have to be thoroughly evaluated, even by the public."

Responsibility for the State

"The need to build a state, as it was emphasized by T.G. Masaryk, should not be forgotten. Even when the rights of nations to decide their own fate are fully respected, the fact must not be ignored that each nation lives in the state and that the state is the form in which the national interests are implemented. In the countries of Central and Southeastern Europe, where the states do not have a relatively homogeneous population, we should not take confrontational positions against each other because that gives rise to insoluble nationalist controversies. Maybe I am mistaken, but for now I begin with the assumption that most of the citizens of this state continue to have an interest in preserving it. As a manifestation of this interest in positive cooperation I consider, for example, the attitude of the Hungarian representatives in the Federal Assembly who have the right to speak in Hungarian but who do not exercise this right. They address the Assembly in Hungarian and then they continue in Slovak. Let us take as a point of departure those things that unify us and not those that divide us, even though these are certainly not a few. The awareness of all the difficult problems should lead us to strengthen mutual ties and not to exhaust ourselves in unnecessary clashes."

Havel Ready To Oppose Resistance to Reform

90CH0422A Paris LE MONDE in French 13 Sep 90
p 8

[Article by Prague special correspondent Sylvie Kauffmann: "Vaclav Havel and the Unfinished Revolution"]

[Text] When the Czechoslovak student weekly STUDENTSKÉ LISTY was bold enough to publish a photo of Vaclav Havel grimacing horribly this summer, the editorial office was immediately flooded with telephone calls. "How can you be so disrespectful of our beloved president?," demanded, scandalized, the upstanding citizens. "So," recalls one of the reporters, "we answered them by asking, 'and what did you do for your beloved president when he was in prison?'"

That is how the Czechs are. The isolation in which Havel and his friends lived during the grim years has been forgotten. This may be something they have in common with the French, in relation to de Gaulle. Since November of 1989, the Czech people—and the Slovaks too, though with a bit more of a lag—have been carrying on a veritable love affair with their "good president." It has been a lasting one: Though his popularity rating has slipped a bit over the last few months, it is still a comfortable 60 percent. At times even, the people's regard seems like adoration. "He is loved. Sometimes it scares me, but I can't help loving him too," comments, dreamy, a well-known artist, his gaze lost in the mists of the castle on the other side of the Valtva where the president holds court. The only attack the press has thus

far allowed itself to make on Havel was concerning his meeting with the Austrian President Waldheim in July.

On Sundays after lunch, Czechoslovaks sit down around the kitchen table to listen to the president's Sunday radio chat. His slightest actions and movements are reported on evening television, and everyone finds that natural, as when he visited the dear little blond heads on the first day of school. "Why doesn't President Mitterand in France go to the schools on the first day?" The coolest political observers acknowledge that "he is very good, rather better than in February and March" and concede, if pressed, that "his speeches are better than his improvisations." The public melts over a national CTK agency photo showing him unshaven and rumped in his pyjamas, staring fixedly into a cup of coffee in the kitchen. He can both speak the people's language and restore the prestige of the country abroad. He is a symbol and a unifying factor. In short, concludes the filmmaker Jiri Menzel, always quick at self-flagellation, "He is too good. We don't deserve him."

The Only Center of Power

Consequently, the passion for the president sometimes becomes a bit heavy, even for Havel himself. He is not unaware that many of his fellow countrymen are above all grateful to him for having absolved them of a none-too-glorious recent past. "I receive several hundred letters a day," he said last Sunday on the radio. "Many people ask me to solve their problems." It is as if Havel can do anything, decide anything, run anything. Worried about this passive follow-the-leader mentality, he recently said he was afraid that if he pointed to a dog saying, "That's an ugly dog," a thousand people would rush forward to finish it off.

The fact is, nearly 10 months after the start of the "velvet revolution", President Havel appears to be the only solid center of power in Czechoslovakia. The Civic Forum, which has refused to be reborn as a structured political group to avoid the defects of a "ruling party," is having a serious identity crisis. Its original leading figures have become ministers, castle advisors, or directors. Others have thrown in the towel, exhausted. And today the movement is in the hands of a third wave. "After 40 years of totalitarianism, people did not want to hear about a political party," explains Vojtech Sedlacek, secretary general of the Civic Forum. "But it's true that a movement that remains unstructured carries the seeds of its own death."

In the opinion of one of the first Forum leaders, the sociologist Ivan Gabal, "the Civic Forum has lost the ability to control the organs of government." Which does not mean government has been strengthened, torn as it is between three governments (Federal, Czech, and Slovak) under the guidance of a federal prime minister with a weak personality—Mr. Marian Calfa. Mr. Calfa was a member of the old regime, who came over to the winning side. A docile and flexible politician, he offered the further advantage of being Slovak, enabling the national

balance to be maintained, since the president is Czech. The growing activism of the Slovaks, even though 75 percent of them say they favor a Czechoslovak state, and the strange behavior of the actor Milan Knazka, a loyal Havel supporter who left the castle to take over the reins of a new Slovakian "ministry" of foreign affairs, have not helped matters. President Masaryk was fortunate enough to have a Slovak father and a Czech mother, easing his task.

The Federal Government, according to Ivan Gabal, has lost the initiative by failing to quickly impose decisive reforms. As for the Parliament elected in June, it still has to prove itself, having voted itself six weeks of vacation, hotly criticized by the people, despite the fact that the entire body of legislation has to be rewritten.

We Missed the Boat

This partly explains the feeling of disenchantment and frustration evident these days in Prague. And though President Havel is more or less safe from criticism for now, his entourage is not. The joyful disorder met with by all those who have business with the president's chancellery, even since it was reorganized under Prince Schwarzenberg, is becoming notorious well outside castle walls, if only through the amiable but no less formidable inefficiency of its press office. "The president does not have good advisors," writes even the press favorable to "the castle" about the artists and former dissidents with whom Vaclav Havel surrounded himself from day one in order to feel secure and confident.

Two other factors have little by little nurtured people's impatience and irritation: the government's waverings on economic strategy and the failure to bring new blood into any echelon except the political. Is it a coincidence that Engels Quay, where Havel has kept his apartment, has been rechristened Rasin Quay? Rasin was the name of President Masaryk's radical economist, the other national hero and founder of the Czechoslovak Republic in 1918.

Several Civic Forum officials felt the moment for making the big leap was ripe in February and March. "We missed the boat," they now say. "We had eight months of wonderful unity. Now it's over. Many people overestimated the momentum of change." Economically, the first visible changes may occur when Parliament passes the law on "small privatizations," allowing private shops to be set up. Because, for now, one is struck only by the price hikes: Prague still has the same state restaurants, where often the only thought is to rob the tourist, and the same unchanging shop windows with their stacks of Vietnamese canned goods. The downtown taxis have organized a veritable Mafia which accepts only customers paying in foreign currency. The people complain of the lack of change, but at the same time fear losing the relative security socialism brought. "There are a million and a half superfluous jobs in this country," stresses Richard Wagner, President Havel's economic advisor, "and tons of social benefits granted by the

former regime through labor unions and other organizations. We have to take all that into account in our economic reform."

As for the resistance of the system in place, it was clearly underestimated. Havel himself, who claimed in March to be agreeably "surprised by the slowness and fumbling of this resistance," appealed in August to his fellow countrymen to rouse themselves and energetically combat "the sabotage of the incompetent nomenklatura and powerful former government organizations" and "the old bureaucracy that survives at all levels." He calls it "the unfinished revolution."

A push is needed, but how, when the idea of any sort of purge is steadily rejected on the grounds that "We are not like them"? Humanists to the end, the "ex-purgees" of post-1968 are the staunchest opponents of an expurgation today. "We must maintain a certain moral decency toward everyone," says the new president of the People's Chamber, Mr. Rudolf Battek. "The Communists" do not deserve this "decency" retort the younger ones, exasperated to see collaborators hanging on to their positions. The rector of Charles University, who implemented "normalization" for 20 years, tranquilly resumed his duties as a law professor. The former minister of foreign affairs Johanes, after vainly begging his successor to find him an ambassador position, found a new job as first advisor to Czechoslovakia's Embassy in Ankara.

At the Prague mayor's office, the mayor and his advisors have been replaced, but the whole bureaucratic structure remains the same. "It runs the gamut, from passive resistance to active obstruction," remarks Zdenek Rajnis, new Civic Forum assistant. Indeed, more than one of the new leaders deplores the lack of civic courage of his fellow citizens, reluctant to accept positions of responsibility where they will have to make the decision to fire two-thirds of the useless staff.

"The Czechs are petty bourgeois," deplores a film director, saddened to see that, except for the filmmaker Jan Nemec, none of the 1968 exiles has returned to the country to help rebuild it. Czechoslovakia has hit something of a low point. But as the anniversary of the beginning of the "velvet revolution" approaches, the people are regaining confidence, as if ready to take hold of themselves after a brief slump. "The period from September to December will be crucial," says Vaclav Havel. The 24 November elections must be prepared, and the legislation on privatizations will go into effect. With a little help from their president, the Czechoslovaks will certainly make the effort to finish their revolution.

Challenges Facing Drafters If Federal Constitution Assessed

90CH0406A Prague LIDOVE NOVINY in Czech
28 Aug 90 p 3

[Article: "You Must Decide"]

[Text] Lloyd N. Cutler (born 1917) is one of the most noted lawyers in America. From 1979 to 1980 he was

one of President Carter's advisers, and participated in the drafting the text of the SALT II Treaty. He is a member and official of a number of governmental and nongovernmental committees and legal institutions. The article he wrote for LIDOVE NOVINY shows how well-versed experts, to whose opinions Western politicians and businessmen listen, are with the facts of our situation and how they view us.

The newly elected Federal Assembly of the Czech and Slovak Federal Republic is facing many demanding tasks. The most difficult of these is drafting and adopting a new constitution for the Federation.

The key constitutional problem is the following: how should governmental power be divided between the Federal Government and the governments of the two republics, while keeping the Federation intact? Masaryk's constitution of 1920 established Czechoslovakia as a homogenous (unitarian) republic, in which the rights of Slovaks and other minorities were protected by the constitution. In 1960 Masaryk's constitution was replaced by a communist one. The constitutional amendment of 1968 abolished the unitarian form and created two separate republics, a Czech and a Slovak one, joined in a "voluntary union" under an umbrella Federal Republic. Many significant governmental powers were entrusted to the national governments.

However, under the highly centralized Communist regime of the last twenty years, this constitution was only fiction, because all important governmental powers were really implemented by the party. From the practical point of view, Czechoslovakia continued to be a unitarian state, but in contrast to Masaryk's democracy, it was a totalitarian state. Now that democracy has been restored, the question has arisen, really for the first time, as to whether a democratic federation of independent Czech and Slovak Republics can be structured in such a way that it can be administered effectively.

This question is especially topical now that new Pan-European institutions are playing an ever greater role, and at a time when the Czechs and Slovaks are united by the desire to join these institutions, as well as the World Bank and the International Monetary Fund. Most European nations are already members of these institutions.

Membership in European and world institutions brings numerous privileges and advantages but, on the other hand, there are also corresponding obligations. Can the CSFR meet these obligations if, as some people now suggest, many important governmental powers will be transferred to national governments and each republic will be guaranteed the right unilaterally to break away?

Let us consider the following examples:

—Let us assume that the CSFR becomes a member of the World Bank and is granted a loan of \$500 million. To repay it, including interest, it must levy taxes. But

if the right to levy taxes is constitutionally entrusted exclusively to the national republics, as some people now suggest, what will happen if one of them refuses to levy the necessary tax?

—Let us assume that the CSFR becomes a member of the European Community, let us assume that the Community issues a directive obligating the member countries to coordinate their laws in an area that is the exclusive prerogative of the national governments' powers. What will happen if one of them refuses to adopt a law that would be in accordance with the directive of the Community?

—Let us assume that the CSFR becomes a member of the Council of Europe, signs the European Convention on Human Rights and subjects itself to the jurisdiction of the European Court on Human Rights. Let us assume that a citizen of the Czech or Slovak Republic submits a grievance to the Court against an action or a law of his Republic, which is, admittedly, in accordance with the Federal Laws, but in his opinion contravenes the European Convention of Human Rights. Let us assume that the European Court rules in his favor. The CSFR would then be obligated to change the relevant law or action—but, according to the constitution, only the parliament of the National Republic has the right to do this. What if it refuses to do so?

—Let us assume that the CSFR is granted the right to obtain a loan from the World Bank or to obtain aid from the European Community. If each National Republic is guaranteed the right to break away from the Federation, and one of the Republics exerts this right, will the Federal Republic automatically lose the right for the entire loan or aid, or to its share of it, considering it will no longer exist?

—Let us assume that the CSFR will have a foreign debt, or that it will accept the obligation to provide a tax or other contribution to the European Economic Community Fund. If each National Republic will have the right to break away, and one of them de facto does so, will this divest the Federal Republic of its obligation, considering that it will no longer exist? Will the Republic that decided to break away (or the other) have to pay its share of the obligation? If the answer is yes, how will this share be established?

At the recent conference, in which Czech, Slovak, and Western experts in constitutional law participated, the former Canadian Prime Minister, Trudeau, said: "You must decide whether or not you want to be one nation." The Czech and Slovak nations may separate if they wish, but the consequence will be the division of a consequential nation of 15 million citizens into two less consequential nations of 10 and 5 million citizens, at a time when East and West Germany are uniting to form one state of 78 million citizens. If the Czechs and Slovaks opt to live together in a united state, they must decide whether they will, at the very least, confer on the Federal Government

those powers that are necessary for the CSFR to function as a responsible member of those European and world-wide institutions that will be of key importance for democratic life and economic growth in the 21st century. They will also have to decide whether the National Republics should have the constitutional right to break up the Federation by leaving it unilaterally.

Many European nations are composed of two or more ethnic groups, and the models of their constitutions deserve to be studied carefully. Some of these countries, like Belgium and Switzerland, found a way to retain the rights and identities of ethnic groups without detracting from the effectiveness of the state's functioning as a democratic and successful member of the new Europe. In other places, such as Yugoslavia, the rights of ethnic groups were set above the powers of the Federal Government to a point that the very survival of the state has been put in jeopardy.

The new Federal Assembly, as well as all Czechs and Slovaks, is faced with the urgent task of choosing one of these alternatives.

Amended Federal Law on Periodical Press, Other Mass Media

*90CH0365A Bratislava NARODNA OBRODA in Slovak
20 Jun 90 pp 12-13*

["Text" of Law on Periodical Press and Other Mass Media from 25 October 1966, Collection of CSSR Laws No. 81, Law No. 84/1968, Law of the Slovak National Council No. 131/1970, Law of the Czech National Council No. 146/1971, and Law No. 86/1990]

[Text] The National Assembly of the Czechoslovak Socialist Republic enacted the following law:

PART I

Basic Provisions

Section 1

1. In accord with the constitutionally guaranteed freedom of expression, speech, and press, citizens use periodical press and other mass media to obtain information and publicly express their views.

2. The exercise of the freedom of expression, speech, and press and the social mission of the periodical press and other mass media is facilitated by placing publishing and press enterprises, radio, television, film and other means of information at the disposal of citizens and their organizations.

Section 2

1. The periodical press are newspapers, journals, and other periodical publications published at least twice a year and in a layout typical for this kind of press. Not considered as periodical press, however, are collections of laws, official bulletins, and also publications that

serve exclusively official, service, or operational purposes of government agencies and organizations, scientific and cultural institutions, economic, social, and other organizations.

2. The mass media are, besides the periodical press, news agencies, news and other publicist divisions of radio and television, news films, as well as sound and pictorial records used for regularly providing information to the public about events, manifestations, facts, and views in the Czechoslovak Socialist Republic or abroad.

3. Information are reports, data, facts, and views published in periodical press and other mass media in all the forms of disseminating information.

PART II

Publishing Periodical Press

Section 4

Periodical press can be published by Czechoslovak legal entities as well as Czechoslovak citizens who have reached 18 years of age. Other legal entities and physical persons may publish periodical press only with the approval of the appropriate government agency of the Czech or Slovak Republic depending on the residence of the publisher.

Section 5

1. Authorization to publish periodical press is obtained by registration.

2. Registration of central and regional periodical press is made by the Ministry of Education and Culture, in Slovakia by an official of the Slovak National Council for Education and Culture. Registration of other press is made by the regional national committees.

Section 6

Application for registration of periodical press must be submitted at least 30 days before intended publication and must contain:

- a) Name of the periodical press.
- b) Orientation of its content.
- c) Name and address of the publisher, publishing organization, and printing house (reproducer).
- d) Place of publication, address of editorial office and administration.
- e) Period in which the periodical press will be published.
- f) Expected approximate number of copies, range, format, and price.
- g) Personal data of the editor in chief on his citizenship and professional qualification; if the publisher is an individual, he need not designate the editor in chief.

Section 7

1. Publication of periodical press may begin only after registration. If the application does not contain the data required by Section 6, or the data are incomplete or inaccurate, the agency processing the registration will inform without delay, but within three days after receiving the application at the latest, those who submitted it that the registration process will not begin until the application is corrected.

2. The processes of registration will begin the day on which the agency processing the registration receives the application containing the required data. The agency processing the registration is obliged to complete the registration within 15 days from the day it receives the application; it shall issue a certificate of registration.

3. If those who submitted the application do not receive within 30 days after the application was delivered to the agency that is to process it the registration certificate or the notification according to paragraph 1, the day of registration will be the day following the expiration of this term; the agency which processes the registration shall issue a certificate to that effect to the applicants.

4. The publisher is obliged to inform the agency which has issued the registration of any change in the data contained in the application. The change may be made only after that agency registered it; the provisions of Paragraphs 2 and 3 shall apply similarly.

Section 8

The registration will lose its validity and the authorization to publish the periodical press will lapse:

- a) If the publication of the periodical press does not begin within one year after registration is obtained.
- b) If the publication of a newspaper or other periodical publication is interrupted for a period of more than one year.

Section 9

Each edition of the periodical press must contain the following mandatory data: Publisher. Address of editorial offices. Name of editor in chief and his deputy. Place, date, and number of edition. Price.

PART III

Responsibilities of Publisher, Editor in Chief, and Editors

Section 10

1. The publisher is responsible for the periodical press; for the other mass media, the appropriate organization where all the following provisions pertaining to publishers apply.

2. The publisher delegates management of the mass medium to the editor in chief. An editorial board may

also share in the management of the mass medium. The extent of its participation in management, its responsibility, the method of appointing and recalling its members, shall be determined by the publisher.

3. If the publisher appoints an editor in chief, he is responsible to the publisher for the contents of each individual issue of the mass medium, especially ensuring that the contents of the mass medium do not infringe on the legally protected interests of society, citizens, and organizations.

4. If in some mass media the role of the editor in chief is carried out by his deputy, leading editor, or chairman of the editorial board, all provisions pertaining to an editor in chief shall apply to them.

5. The responsibilities of the authors of information as determined by existing rules remain unchanged.

Section 11

The editor in chief or the editor can only be a person who qualifies as citizen and a professional.

Section 12

The editor in chief and other editors are protected in the performance of their work by the existing provisions against all forms of pressure aimed at thwarting their activities.

PART IV

Cooperation of Government Agencies and Organizations

Section 13

1. Government agencies and organizations, scientific and cultural institutions, and economic organizations are obliged to provide, within the scope of their authority, editors in chief and other editors with information essential for giving the public truthful, timely and all-around information or to make possible access to such information.

2. Government agencies and organizations, scientific and cultural institutions, and economic organizations shall refuse to give information or access to it, if it contains:

a) A fact that is the subject of a state, economic, or official secret.

b) A fact the publication of which would demonstrably damage the interests of the state or society. c) A fact the publication of which is in conflict with the principle of protecting citizens' rights.

3. Agencies and organizations mentioned in Paragraph 2 may, however, give information to editors in chief and other editors for their own information, which is not intended for publication. The editors in chief and the editors may not publish such information.

Section 14

1. Government agencies and organizations, scientific and cultural institutions, and economic organizations are obliged to take a position on important, socially beneficial proposals, recommendations, and suggestions, and on important social criticism, which were published in the periodical press or in other mass media and which were expressly brought to their attention by the editor in chief. They shall refuse to make their position public in cases mentioned in Section 13, Paragraph 2.

2. The editor in chief is obliged to publish the position of the government agency, institution or organizations after mutual agreement in a suitable form and appropriate length in the periodical press in one of the next few planned issues, in radio and television in one of the next few planned broadcasts, as a rule within a month.

3. The editor in chief is also obliged to publish in the manner mentioned in Paragraph 2, the position of a social organization on important socially beneficial proposals, recommendations, or suggestions, or on an important social criticisms which were published in the periodical press or other mass media, especially those which the editor in chief expressly brought to the attention of the social organization.

Section 15

1. Government agencies and publishers cooperate closely on matters concerning basic questions of the periodical press and other mass media with the Union of Czechoslovak Journalists and in Slovakia with the Union of Slovak Journalists. They are especially obliged to ask for positions on basic questions of developing the periodical press and other mass media, their technical and material provisions, and basic questions of the editors' responsibilities.

2. Government agencies and publishers create conditions by mutual cooperation for a successful execution of the journalistic work of the editors and they thus help the Journalists' Union to carry out its mission according to its rules.

PART V

Protection Against Abuse of Freedom of Expression, Speech, and Press

Section 16

1. Citizens who use the constitutionally guaranteed freedom of expression, speech, and press enjoy full protection according to existing provisions.

2. Publicizing information which endangers legally protected interests of society or citizens is abuse of the freedom of expression, speech, and press.

3. Protecting society and citizens against abuse of the freedom of expression, speech and press is the responsibility of the publisher, the editor in chief, the editor, and

the author to the extent arising from existing provisions. The obligation of the publisher for compensation of damages caused to organizations or citizens by the contents of the periodical press or other mass media is also assessed according to these provisions.

Section 17

1. Censorship is inadmissible.
2. By censorship is understood any interference by government agencies against freedom of speech and pictorial expression and their dissemination by the mass media. This does not affect the authority of the prosecutor's office and the courts.

Section 18

The editor in chief or his authorized deputy (Section 10, Paragraphs 4 and 5) is responsible for not publishing in a mass medium information which contains a fact that is the subject of a state, economic, or official secret. The Government is obliged to make certain that editors in chief of periodical press and other mass media are informed about which facts are the subject of a state, economic, or official secret.

PART VI

Correcting Untrue Statements

Section 19

1. If a mass medium publishes an untrue or truth-distorting item that affects the honor of a citizen or the good name of an organization, scientific or cultural institution, or that concerns the activity of a government agency, the citizen, organization, institution, or government agency may, within two months after the publication of the item, request the editor in chief to publish at no expense a correction and propose its wording.
2. The editor in chief may refuse to publish a correction if he can prove the veracity of the item which he was asked to correct, or if the request for correction was submitted later than the time period stated in Paragraph 1.
3. If there is no cause to refuse the publication of the correction according to the previous paragraph, the editor in chief is obliged to publish the correction. At the same time he must also make certain that the wording of the correction and the manner of its publication were agreed upon in advance with the person who requested the correction; if no agreement was reached, the court will rule according to Section 20. The editor in chief must, within eight days after the request for correction was made, publish the correction in the journal or other periodical publication in the next issue being planned following the request, and in the same place and in the same kind of print as the item to which the correction applies.

4. The correction of an item publicized on the radio or television must be publicized at broadcasting time equally valuable to the one at which the item being corrected was originally broadcast. The correction of an item publicized by news agencies must be published in those newspapers which published the item being corrected and which are designated by the person requesting the correction to do so, at the expense of the agency. The correction of an item contained in a news film or in a sound or pictorial record must be published in those newspapers which the person requesting correction designates, and at the expense of the appropriate film or production organization. The editor in chief of the newspaper designated by the person requesting the correction must publish the correction.

Section 20

If the editor in chief refuses to publish the correction, if he does not publish it at all, if he does not publish it in the manner described in Section 19, Paragraphs 3 and 4, or if the published correction is not satisfactory, the district court, on the appeal of the citizen (organization, institution, government agency) will rule on the obligation to publish the correction. The application must be submitted within 15 days after the expiration of the time limit for the publication of the correction. The *Obciansky sudni poriadok* [as published] applies to the proceedings. The court ruling on the obligation to publish the correction is also binding on the deputy of the editor in chief.

2. The provisions of the Civil Code on the protection of the individual remain unchanged.

PART VII

Distribution of Periodical Press

Section 21

The system of distribution of the periodical press is determined by the publisher.

PART VIII

Foreign Press and News Agencies

Section 22

1. The exchange of information between the Czechoslovak Socialist Republic and other countries is free. The exchange of information contributes to understanding and friendship among nations and helps them to know each other, and is accomplished by the import and export of periodical press and the activity of news agencies and information facilities.
2. The exchange of information must not be misused for infringing on the honor and rights of Czechoslovak citizens and their socialist coexistence, or for endangering the interests of the socialist state and society or the development of international cooperation for peace.

Section 23

The importation and distribution of foreign periodical press printed or reproduced abroad, distribution of foreign periodical press printed or reproduced in the Czechoslovak Socialist Republic by a foreign publisher on his order, as well as the distribution of news by foreign news agencies (and other similar foreign mass media) are prohibited if their contents promote violence and war, fascist or Nazi ideology, racial discrimination, or is in some other way in conflict with humaneness, or if it attacks the unity of the Republic and the basis of its constitutional order, or breaks international agreements.

Section 24

1. Foreign news agencies (and other similar foreign mass media) may be active in the Czechoslovak Socialist Republic only if their employees and permanent foreign correspondents are accredited to the Ministry of Foreign Affairs.

2. The Ministry of Foreign Affairs and other government agencies give to the employees of foreign news agencies (and similar foreign mass media) and permanent foreign correspondents the help necessary for a proper performance of their work. If, however, the accredited employee or correspondent damages the interests of the society protected by law or international agreements, the Ministry of Foreign Affairs may revoke the accreditation.

Section 25

On the basis of international agreements and understanding other countries and international organizations may install on the territory of the Czechoslovak Socialist Republic foreign information facilities for providing information to the Czechoslovak public about events and life in the foreign country in question or about the activities of international organizations. The extent and the form of the information activity in the Czechoslovak Socialist Republic shall be decided by an agreement or understanding.

Section 26

Foreign news agencies (and similar foreign mass media) or foreign information facilities must not be located in buildings of diplomatic or consular missions and their employees must not be employees of those missions.

PART IX

Concluding Provisions

Section 26 a

The rights and obligations of the editor in chief according to this law belong to the individual who publishes the periodical press, if he has not designated another individual as editor in chief (Section 10, Paragraph 2).

Section 27

Penal Law No. 140/1961, Coll. of CSSR Laws, in the version of Law No. 56/1965, Coll. of CSSR Laws, is supplemented by replacing Section 170 with Section 170 a, which reads, including title, "Section 170 a".

PRESS NEGLIGENCE

The editor in chief of periodical press or other mass media or his designated deputy, who in the performance of his function by negligence causes that because of the contents of the periodical press or other mass media a criminal act is committed, shall be punished, unless the crime in question does not carry a more severe punishment, by incarceration up to 6 months or by a corrective measure or a fine or by prohibition of his activities.

Section 29

Rescinded are:

1. Law No. 184/1950 Coll. of CSSR Laws on publishing journals and on the Union of Czechoslovak Journalists in the version of Law No. 44/1958 Coll. of CSSR Laws.

2. Decree No. 689/1948, Official Gazette of the Czechoslovak Republic, on the use of paper for the publishing of journals.

3. Decree No. 1144/1948, Official Gazette of the Czechoslovak Republic, which contains detailed directives for submitting applications for permission to publish newspapers and journals.

4. Decree No. 1465/1948, Official Gazette of the Czechoslovak Republic, on establishing the Economic Center of Journal Publishers in the Ministry of Information.

5. Decree No. 39/1951, Official Gazette of the Czechoslovak Republic (No. 58/1961 Official Gazette for Slovakia), which contains press regulations, in the version of Decrees No. 191/1951, Official Gazette of the Czechoslovak Republic (No. 232/1951 Official Gazette for Slovakia), No. 3/1960, Coll. of CSSR Laws, and No. 45/1963, Coll. of CSSR Laws.

Need of Informed, Involved Public Stressed

90CH0407A Prague OBCANSKY DENIK in Czech
31 Aug 90 pp 1-2

[Article by Veronika Hokeova: "The Slovaks, the Czechs, and the Bherunda Bird"]

[Text] "The Indians have a fable about a mythical Bherunda bird. It is a bird with only one body but with two necks, two heads, and two independent minds. Due to the fact that they were constantly forced to live together, these heads began to hate each other and they decided to harm one another. Thus both began to swallow rocks and poison. The result is obvious: The whole Bherunda started to die, suffering terrible convulsions and groaning loudly. But through the infinite grace

of Krishna it was resurrected. It was resurrected to be a constant reminder to people what hatred leads to."

The president of the CSFR, Vaclav Havel, ended his speech at the International Conference in Oslo with this Indian fable. It was surely no coincidence that he thought of it at a time when voices, demanding an independent Slovakia, are repeatedly being heard. Our country is like a Bherunda bird—probably close to the point when the two heads start to hate each other.

During the past years, we seem to have lost the ability to accept another person's differing opinion. After every extended period of silence, each voice is heard more loudly, and seems to carry more weight. I am truly convinced that the majority of Slovaks do not want the Republic to fall apart; but unfortunately, as so often happens, they are the notorious "silent majority." And a handful of advocates for Slovak independence proclaim anti-Czech slogans in their name, if possible, in a way that will be heard as far beyond the borders as possible.

When the representatives of the three governments met in Trenciansky Teplice, the public did not hear much about the results. In fact, the Czechs only heard specifics recently—from the mouth of the President of the Slovak Government. In the agitated atmosphere, a very reasonable and moderate speech was interpreted by a number of Czechs as a list of Slovak demands and Czech concessions—and, to make matters worse, concessions that had been made behind their backs. Today, of course, this is the worst possible way to see things....

How can we find a way out of this? First, by telling the Czechs—giving specifics, dates, and numbers—what the suggestions from Trenciansky Teplice will mean for them. And also which of these suggestions came from the Czech side, and which from the Slovak. If the growing feeling of the Czechs, that the Slovaks backed both the Federal and Czech Governments into a corner, is not correct, only concrete facts but no amount of assurance will change it. And, second, the Slovak majority, which has remained silent so far, must be given an opportunity to show clearly which side it is on.

The Czech and Slovak Bherunda bird has not destroyed itself so far. But how much longer before it does? The "eastern" head seems to be louder and more hot-blooded. The more reasonable majority of its "mind" has, so far, prevented it from swallowing rocks and poison; but, as Vaclav Havel said, collective hatred "has a strange magnetic attraction and is thus capable of pulling into its funnel innumerable other people, who originally did not seem imbued with the ability to hate." And what about the "western," the Czech, head? It is still dealing with the situation with a smile; but that smile is beginning to look twisted. Once it decides "this is enough, no more," it could possibly be even more dangerous than the other.

And no new Krishna will ever be able to rescue us from such a disaster.

Czech Silesia Seeks Autonomy

90CH0405A Vienna DIE PRESSE in German
20 Aug 90 p 8

[Article by Erich Hoorn: "Czech Silesia Demands Autonomy"]

[Text] Silesia is striving for autonomy within the framework of the CSFR even before the local elections in November. There is a desire to continue the historic tradition, according to which Troppau (Opava) should once again be the capital. It is being demanded that all income earned here also remain here and not be transferred to other parts of the Republic. Plants located here should not be managed by other parts of the Republic.

Of course, Prime Minister Marian Calfa recently emphasized that such demands—which also exist in other parts of the country—are not realistic. Because there would no longer be any federal taxes otherwise.

As recently as 1918, Troppau became the capital of the short-lived German-Austrian Province of Sudetenland. However, the Czechoslovakian Army occupied Troppau as early as 18 December 1918, without encountering resistance. The administrative independence of Silesia was rescinded in 1928. The Czechs united the country, in which the German population had once been the majority, with Moravia, to form Province Moravia-Silesia, with its seat in Bruenn. Troppau was the capital of the governmental district by the same name from 1938 to 1945.

The Czech part of Silesia—the larger part belongs to Poland—once again unsuccessfully sought autonomy even during the Prague Spring in 1968. Now, the same efforts are underway again after the "gentle revolution" in November, 1989.

The political party "Association for Moravia and Silesia" wants autonomy for Moravia and Silesia as a whole, with Silesia only getting autonomous status within the framework of this administrative area. However, the creation of Moravia-Silesia is rejected in Troppau, as this would not correspond with the historical development. "We only want what used to be," is being emphasized in Silesia.

Together, Moravia and Silesia have 4 million inhabitants. The "Association for Moravia and Silesia" won 16 of a total of 300 seats in the Prague Parliament.

Two months ago, a convention, summoned by the National Committee (Magistrat), convened in Troppau. With the exception of Ostrava (Ostrava), mayors from all Silesian cities were present. All participants advocated autonomy for Silesia and the establishment of a Silesian University with its administrative center in Troppau.

Afterwards, a signature petition movement for the autonomy of Silesia was launched. Silesians have even won the support of Petr Pithart, Prime Minister of the

Czech Republic, for their goal. Pithart had frequently discussed this issue personally in Troppau.

The first concrete results: the rector's office of the new Silesian University will start doing business this coming September in the former building of the District Committee of the Communist Party in Troppau. There was a hard battle for the location of the rector's office because Ostrau, an industrial city 30 kilometers away, applied for the seat of the Moravian-Silesian University which was planned as a competitor. There was even a hunger strike in Ostrau to emphasize this demand.

However, it is being pointed out in Troppau that establishment of a Silesian University was already sought during the Monarchy. Notwithstanding, only a completely independent pedagogical faculty that did not belong to any university was created. It was relocated to Ostrau during Communist control. It will in fact remain there, but be part of the new Silesian University.

For the time being, faculties in Opava, Karvina, and Ostrava will be active during the 1990/91 academic year. Most of Ostrava is located on Silesian territory, the remainder in Moravia. Later, faculties of the Silesian University are to be established in other Silesian cities such as Krnov (Jaegerndorf) and Bruntal (Freudenthal).

Reduction in Weapons Production Announced

90CH0405B Vienna DIE PRESSE in German
27 Aug 90 p 8

[Unattributed article: "Prague's 'Gentle Departure' From Arms Production"]

[Text] Prague/Vienna—Decades of Communist control have gone by since Czechoslovakia belonged to the leading industrialized nations of the world. Of course, the former CSSR was able to maintain a top international position in the arms trade in spite of the general economic decline. According to SIPRI [Stockholm International Peace Research Institute], the country placed seventh among arms suppliers, and military goods valued at approximately 32.5 billion schillings (converted) were exported worldwide from 1984 through 1988, half of which went to developing countries.

Nonetheless, Prague economic expert Milos Zeman does not believe that arms exports by the former regime were so profitable. According to Zeman, a majority of customers did not pay for their deliveries. Also, political motives frequently played a greater role than business motives in weapons exportation for the power brokers of the Prague Communist Party.

Until now, Czechoslovakia has supplied allied states with tanks, training aircraft, and military transports. Infantry weapons, submachine guns, armored vehicles, and artillery weapons found their way to Third World countries. However, Libya's Qadhafi was unable to pay cash for the military equipment delivered. Instead, the

former power brokers of the Communist Party accepted the delivery of 3,000 South Korean passenger vehicles.

Qadhafi was also the buyer of another of the Czechoslovak arms industry's export hits: Czechoslovakia sold nearly 1,000 tons of the odorless—and hard to detect—plastic explosive Semtex H to Libya for \$6 million, between 1975 and 1981. "Enough," says President Vaclav Havel, "to supply all the terrorists in the world for 150 years." Based on a 1984 test, explosives experts of Prague's Ministry of the Interior determined that 200 grams of Semtex H were sufficient to demolish an aircraft.

Semtex was, in fact, used in the destruction of the PanAm jumbo jet (259 dead) by Near East terrorists over Lockerbie, Scotland, in December, 1988. It was probably also used in the attack on a DC-10 aircraft over the Sahara (110 dead). Even the Northern Irish IRA [Irish Republican Army] resorts to the Czechoslovak plastic explosives in its terror campaign.

When Foreign Minister Jiri Dienstbier announced at the beginning of this year that his country will not sell any more weapons, he caused quite a stir among some Warsaw Pact allies. A few days later, Lubos Dobrovsky, spokesman of the Foreign Ministry, had to revise the announcement: Arms exports would be stopped "gradually," and all existing agreements would be observed. Conversion of the arms industry to civilian production will take place in "a gentle fashion."

Nonetheless, arms production in Czechoslovakia is supposed to be curtailed by 25 percent by 1993. One hundred eleven factories with 150,000 to 200,000 employees are affected by this. In the future, for example, more tractors and forklifts instead of modern T-72 tanks are supposed to roll out of the assembly corridors of the ZTS [heavy engineering plants] Martin Arms Factory.

HUNGARY

Council of Europe Membership May Materialize in November

91CH0006B Budapest NEPSZABADSAG in Hungarian
11 Sep 90 p 3

[Interview with Foreign Ministry State Secretary Tamas Katona by Miklos Ritecz; place and date not given: "Our Membership in the Council of Europe is on Track"—first paragraph is NEPSZABADSAG introduction]

[Text] The political committee of the Council of Europe discussed the matter of accepting Hungary and Poland as members of the Council on Monday in Poland. After the conference Foreign Ministry State Secretary Tamas Katona told the NEPSZABADSAG reporter with satisfaction that Hungary may be accepted as the first East European member of the Council in November.

[Ritecz] Mr. State Secretary, would you describe briefly the proceedings at the Warsaw session?

[Katona] Poland's membership was discussed first by the political committee. The presidents of the two houses of the Polish parliament, and Foreign Minister Skubiszewski spoke. The report on Poland was submitted by British conservative representative Sir Geoffrey Finsberg. Everyone recognized Poland's merits in broadening democracy. Nevertheless Poland's membership ran into one serious obstacle: It has not satisfied the minimum requirements demanded by the Council of Europe from every applicant country.

[Ritecz] Specifically what is involved?

[Katona] Joining the Human Rights Convention is one of the conditions. This would be the easier part of the matter, a statement of intent would suffice. Poland failed to comply with yet another important condition: free elections based on a multiparty system took place only in part. The committee wanted to bridge this problem by recommending to the committee of ministers that at its next meeting it invite Poland as a member of the Council of Europe. Membership would be established and in force only after multiparty elections are held in Poland; at that time, however, membership would be granted automatically.

[Ritecz] Quite obviously, our situation was easier.

[Katona] It was. As complicated as the issue of accepting Poland was—a compromise had to be reached in regard to Poland—as clear was the matter of accepting Hungary as a member. Last year's hard work initiated by Gyula Horn and Laszlo Kovacs came to fruition. Insofar as I was concerned, from a practical standpoint I was able to discard the speech written in advance. It contained very many tiny details and explanations. It was possible to do so because Peter Schider did a thorough job in his report about Hungary. He made clear that Hungary was not only willing to comply with all requirements, but that from a practical point of view, Hungary has complied with all requirements already. So that as a result of this report I was able to say that a thousand years ago the Hungarian, Polish, and Czech kingdoms were established at the same time, and that in those days the issue was the same as today: We either adapt ourselves to Europe or disappear from the map of Europe.

[Ritecz] When may we expect to be actually accepted as members?

[Katona] As early as the mid-November meetings. Thereafter we must designate seven representatives and seven deputies to represent Hungary. The composition of this delegation of representatives and deputies must proportionately reflect the representation of the various parties in the parliament. I would add only this much: This is the first European organizations in which we become full-fledged members.

Newly Appointed Ambassador to France on Staffing, Prospects

91CH0006A Budapest NEPSZABADSAG in Hungarian
10 Sep 90 p 3

[Interview with Hungarian Ambassador to France Janos Szavai by Attila Seres; place and date not given: "Never Before Were Our Relations as Good With France as They Are Now, According to Our Ambassador to Paris"—first paragraph is NEPSZABADSAG introduction]

[Text] Conducting a multibased foreign policy is in Hungary's interest. French relations play a rather important role in this regard. Never before were these relations as good in the course of our history as they are now, according to Janos Szavai, Hungary's new ambassador to France. He made this statement 48 hours before he departed to assume his new post.

[Seres] How does a literary scientist turned diplomat prepare for his new task? Was the switch difficult at a time when you are almost 50 years old?

[Szavai] Perhaps it was easier than expected. A certain routine I acquired in opposition diplomacy during the past years may have helped in this respect. I must learn some technical tricks of course, but transforming the structure of the embassy and finding the right people was the greater task. In this regard Gabor Nagy, my predecessor was of great help. I succeeded in finding four new associates. Among these Geza Molnar, my future first deputy, is a career diplomat. He served in Paris before; I will greatly rely on his experience. I enlisted the services of Tibor Varkonyi, the well known MAGYAR NEMZET journalist as my press attache. No one has better connections with the French press than he does. With his help I hope to provide a more realistic picture of Hungary to the French press at last. I regard Peter Kovacs, a young attorney to be a great asset. He specializes in European affairs and in the organizations of European integration, and he has dealt with issues pertaining to national minorities. My fourth new associate will be Ferenc Oberfrank. He is a young medical researcher. I worked with him in the Hungarian Democratic Forum [MDF]; I am well aware of his outstanding organizing skills.

[Seres] Will there be a shift in emphasis insofar as the embassy's priorities are concerned?

[Szavai] There will, and I think this is just natural. Perhaps we will place a greater emphasis than before on building an image for Hungary. In this regard we will take advantage of the unusual opportunity that never before in our history were relations between the two countries as good as they are now. Winning French support of our entry into the international integration will be our fundamental task, and we want to maintain good relations with French political parties and with various organizations. Managing continued education and retraining under scholarships is part of cultural cooperation, nevertheless this represents a special task to

us because we received so many offers during the past months, and lost several of these. I do not believe that we will be able to avoid coordinating economic issues despite privatization and the decentralization of functions. Even at present our embassy is besieged by some firms which intend to invest in Hungary. They seek political support to expedite administrative work in Hungary. A French investment program worth 2 billion francs is awaiting to be realized. Among these the Matra metro construction plan is most important, but the intent of Videoton and the Bull firm to cooperate is also significant. Finalizing these deals and searching for new opportunities will be our job. And I make no secret of this: I would like to organize a Hungarian lobby in France, not to the least to encourage Hungarians residing in France to enter into entrepreneurial ventures in Hungary. This is perhaps most important among the new tasks of the embassy.

Constitutional Amendments Change Local Government Structure

Text of Law

91CH0004A Budapest MAGYAR KOZLONY
in Hungarian No 78, 9 Aug 90 pp 1589-1591

[Amendments to the Constitution enacted by the National Assembly on 2 August 1990 as Law No. 63 of 1990, concerning local government]

[Text] Law No. 20 of 1949 concerning the Constitution of the Hungarian Republic as amended several times (hereinafter: the Constitution) shall be further amended as follows:

Paragraph 1

Paragraph 19. Section (3) Subsection (1) of the Constitution shall be replaced by the following provision:

(Under this authority the National Assembly shall)

"dissolve any local representative body whose functioning is repugnant to the constitution at the recommendation of the Cabinet submitted on the basis of an opinion rendered by the Constitutional Court; shall determine the area and names of counties and county seats; shall render decisions concerning the designation of cities which exercise the authority of counties, and the establishment of districts in the capital."

Paragraph 2

In the first sentence of Paragraph 20. Section (5) of the Constitution, the word "mayor" shall be inserted after the word "prosecutor."

Paragraph 3

The following provisions shall replace the present provisions under Paragraph 30/A. Section (1) Subsections (d) and (h) of the Constitution:

(The President of the Republic shall)

"(d) issue calls for general elections for the election of the National Assembly and of local autonomous governing bodies;"

"(h) appoint and relieve of their duties State Secretaries and Delegates of the Republic pursuant to rules specified in other law."

Paragraph 4

The following provision shall replace Paragraph 35. Section (1) Subsection (d) of the Constitution:

(The Cabinet shall)

"(d) oversee the legality of action taken by local autonomous governing bodies through Delegates of the Republic, with the involvement of the Minister of the Interior."

Paragraph 5

The following provisions shall replace Chapter 9 of the Constitution:

"Chapter IX.

"LOCAL AUTONOMOUS GOVERNING BODIES

"Paragraph 41. Section (1) The area of the Hungarian Republic shall be divided into the capital city, counties, cities and towns.

"Paragraph 41. Section (2) The capital city shall be divided into districts. Districts may be formed in cities.

"Paragraph 42. The electorate in towns, cities, the capital and its districts, and in counties shall be entitled to the right of local autonomous governance. Local autonomous governance shall mean the administration of local public affairs, which affect the electorate, in a democratic manner, and the exercise of local public authority in the interest of the populace.

"Paragraph 43. Section (1) The basic rights of local autonomous governing bodies (Paragraph 44/A.) shall be equal. The duties of autonomous governing bodies may vary.

"Paragraph 43. Section (2) The rights and duties of local autonomous governing bodies shall be established by law. The legitimate exercise of the rights of local autonomous governing bodies shall enjoy judicial protection, local autonomous governing bodies may turn to the Constitutional Court for the protection of their rights.

"Paragraph 44. Section (1) Citizens entitled to vote shall exercise the right of self-governance through representative bodies duly elected by the electorate and through popular referendums.

"Paragraph 44. Section (2) Members of representative bodies shall be elected for four year terms.

"Paragraph 44/A. Section (1) Subsection (a) Local autonomous representative bodies shall govern and regulate independently regarding matters concerning autonomous governance, their decisions may be reviewed only from the standpoint of the legality of action;

"Paragraph 44/A. Section (1) Subsection (b) Local autonomous representative bodies shall exercise ownership rights over property belonging to autonomous governing bodies, shall manage the proceeds of such property independently and may engage in entrepreneurial ventures at their own risk;

"Paragraph 44/A. Section (1) Subsection (c) Local autonomous representative bodies shall be entitled to an appropriate amount of their own revenues to perform the legally established functions of autonomous governing bodies, and shall receive state subsidies proportionate to the tasks to be performed;

"Paragraph 44/A. Section (1) Subsection (d) Local autonomous representative bodies shall determine the types of taxes to be establish, and shall establish tax rates pursuant to law;

"Paragraph 44/A. Section (1) Subsection (e) Local autonomous representative bodies shall establish their organizations and rules of operation pursuant to law;

"Paragraph 44/A. Section (1) Subsection (f) Local autonomous representative bodies may establish symbols for the autonomous governing bodies, and decorations and titles of recognition;

"Paragraph 44/A. Section (1) Subsection (g) Local autonomous representative bodies may submit proposals concerning public affairs affecting the local community, to the organ authorized to decide;

"Paragraph 44/A. Section (1) Subsection (h) Local autonomous representative bodies may freely form associations with other local representative bodies; may establish autonomous alliances of interest to represent their interests, may cooperate with local autonomous governing bodies of other countries within the scope of their duties, and may hold membership in international organizations representing autonomous local governing bodies.

"Paragraph 44/A. Section (2) Within their scope of authority local representative bodies may promulgate decrees, provided that such decrees do not conflict with higher level legal provisions.

"Paragraph 44/B. Section (1) Mayors shall be the chairmen of local representative bodies. Representative bodies may elect committees and establish offices.

"Paragraph 44/B. Section (2) In addition to his duties related to autonomous governance, on an exceptional basis the mayor may perform state administrative functions and exercise state administrative authority based on a Council of Ministers or ministerial decree consistent with law or legislative authorization.

"Paragraph 44/B. Section (3) State administrative tasks and authority of jurisdiction may be established by law or by Council of Ministers or ministerial decree for town clerks, and in exceptional cases for the administrator of the office of the representative body.

"Paragraph 44/C. The law governing local autonomous governing bodies shall be adopted based on the affirmative vote of two-thirds of the National Assembly representatives present. A law adopted based on the same voting ratio may restrict the basic rights of local autonomous governing bodies."

Paragraph 6

Paragraph 68. of the Constitution shall be amended by adding the following text as Section (4), and by renumbering the present Section (4) to Section (5):

"Paragraph 68 Section (4) National and ethnic minorities may establish local and national autonomous governing bodies."

Paragraph 7. Section (1)

In Paragraph 70, Section (3) of the Constitution the words "local councils" shall be replaced by the words "local autonomous governing bodies."

Paragraph 7. Section (2)

In Paragraph 70, Section (3) of the Constitution the words "in electing members of its local councils" shall be replaced by the words "in electing their local autonomous governing bodies."

Paragraph 8

Paragraph 71. of the Constitution shall be replaced with the following provision:

"Paragraph 71. Section (1) National Assembly representatives, members of town, city and of capital districts, and the number of members of the capital's representative body specified by law, and further, in cases specified by law, the mayor shall be elected by voters directly and by secret ballot, based on an equal right to vote.

"Paragraph 71. Section (2) Members of county representative bodies shall be elected by secret votes cast by meetings of delegates elected by the representative bodies of towns and cities.

"Paragraph 71. Section (3) Separate laws shall govern the election of National Assembly representatives, and members of local representative bodies and of mayors. Such laws shall be adopted on the basis of the affirmative vote of two thirds of the National Assembly representatives present."

Paragraph 9. Section (1)

Paragraphs 1-3 and Paragraphs 6-8 of this law, and the new Paragraph 44/C. of the Constitution established by Paragraph 5. of this law shall take effect upon proclamation of this law.

Paragraph 9. Section (2)

With the exception of the provision mentioned in Paragraph 9. Section (1) of this law, Paragraphs 4-5, shall take effect on the day of the 1990 election of members of local autonomous representative bodies.

[Signed] Arpad Goncz, President of the Republic
Gyorgy Szabad, President of the National Assembly

Legislative Intent

91CH0004B Budapest MAGYAR KOZLONY
in Hungarian No 78, 9 Aug 90 pp 1591-1592

["Legislative Intent to the legislative proposal to amend the Constitution of the Hungarian Republic"]

[Text]

Paragraphs 1-4

1. Paragraph 1. defines the authority of the National Assembly consistent with the legislative proposal concerning local autonomous governing bodies; the National Assembly is granted jurisdiction over decisions concerning counties, cities exercising the authorities of counties, and districts of the capital, in due regard to the significance of such decisions.

2. According to Paragraph 2. of the Proposal, the number of offices found to be incompatible with holding the mandate of a National Assembly representative is increased, by adding the office of the mayor. The mayor also performs state administrative functions and exercises such authority /Constitution: Paragraph 44/B. Section (2)/. The consistent separation of the branches of power justifies the provision that mayors cannot be representatives, in the same way as a state administrative worker should not be one, as that is listed in the sentence amending the Constitution.

3. Paragraph 3. of the Proposal defines the authority of the President of the Republic in due regard to the provisions of the legislative proposals concerning local autonomous governing bodies, and the election of local autonomous governing bodies.

4. Paragraph 4. of the Proposal defines the authority of the Government consistent with the legislative proposal concerning local autonomous governing bodies.

Paragraph 5

The new Chapter of the Constitution governing local autonomous governing bodies which replaced the Chapter entitled "The Councils," grants the right to

autonomous governance to towns, cities, the capital, the districts of the capital and to counties.

Based on the principle of popular sovereignty, the power of local self-governance is bestowed upon the voters of towns, cities, the capital, the districts of the capital and on counties.

The basic rights of local self-governance are founded on historical Hungarian traditions, and on the basic principles contained in the European Charter for Local Autonomous Governing Bodies adopted by the Council of Europe in 1985.

The Proposal has as its starting point the idea that the basic rights of local autonomous governing bodies are equal, and that local autonomous governing bodies are equal insofar as their autonomous authorities are concerned. The rights and duties of local autonomous governing bodies will be defined by law. In addition to exercising equal rights, the duties of local autonomous governing bodies may vary depending on the size of population and other conditions.

Judicial protection provided for autonomous governing rights and for the lawful governance of autonomous jurisdictions is an important basic principle of autonomous governance. The state organ which oversees the legality of action taken by local autonomous governing bodies may petition the court to declare null and void certain decisions made by local autonomous governing bodies which conflict with laws; and local autonomous governing bodies may also petition the courts relative to state administrative decisions which conflict with law. In case of jurisdictional conflicts local autonomous governing bodies may submit proposals to the Constitutional Court, and may request such courts to review unconstitutional legal provisions and other means of direction expressed by law which violate the right to autonomy.

Citizens entitled to vote elect representative bodies for the continuous exercise of self-governance. In exceptional cases, regarding matters of great significance they render decisions in popular referendums.

The proposal establishes the basic power of self-governance. Such basic rights include independent self-governance, the independent administration and regulation of matters pertaining to autonomous governing bodies. The independence of local autonomous governing bodies is also expressed by the fact that decisions of local autonomous governing bodies may be reviewed only if such action conflicts with the law.

Among the basic rights the fact that a local autonomous governing body can independently manage its property, revenues and material goods, that it can engage in entrepreneurial ventures at its own risk, and that it is entitled to receive revenues, establish taxes and receive state subsidies has distinguished significance.

The right to establish symbols for the autonomous governing body, to establish decorations, the freedom of forming an organization and of determining the order of business flow from the concept of local self-governance.

Local self-governance expresses the interests of the local community, therefore local autonomous governing bodies may propose an initiative in regard to common affairs affecting the local community.

The Proposal provides for the organs of local representative bodies.

In order to accomplish that persons close to the citizenry perform the people's administrative tasks, the Proposal provides that mayors and the town clerk heading the office of the representative body, as well as the administrator of that office, perform the state administrative functions and tasks defined by law. This results in democratic control over the administrative affairs of citizens.

The voluntary and free association of local autonomous governing bodies for tasks of mutual interest, and the right to form alliances of interests among autonomous governing bodies constitute basic rights of autonomy. Relationships between local autonomous governing bodies play an increasing role also in the framework of European cooperation. The Proposal recognizes cooperation with the local autonomous governing bodies of other countries, and the joining of international organizations of local autonomous governing bodies as basic rights.

Paragraph 6

According to the Proposal the possibility of establishing minority autonomous governing bodies by national and ethnic minorities constitutes a constitutional right.

Paragraph 7

Throughout the text of the Constitution it is appropriate to use the designation of new local organizations in lieu of designations tied to the old councils.

Paragraph 8

Basic principles concerning elections are streamlined with provisions pertaining to the election of local autonomous governing bodies in the Proposal. The Proposal defines cases in which citizens eligible to vote cast direct votes for the election of their representative bodies.

Paragraph 9

From among the provisions contained in the Proposal, those pertaining to the election of local autonomous governing bodies and the method of adopting the law concerning local autonomous governing bodies takes effect on the day the law is proclaimed, the rest of the provisions applicable to new organizations take force this year, on the day new local autonomous governing bodies are elected.

Border Guard Policies, Migration Expectations Described

90CH0389B Budapest NEPSZABADSAG in Hungarian 20 Jul 90 p 6

[Article by Ferenc Hajba: "A Collecting Country's Green Border"]

[Excerpts] At the Hegyeshalom border guards post—it is responsible for guarding a section of the border nearly seven kilometers long—Major Lajos Nemeth, the commander of the post, shows me the daily forecast. According to the probability computations, the largest number of border violations can be expected between 2030 and 0230 hours.

It is Friday evening. The Orient Express has already arrived. It brought Romanians, the guests whom historical migration has scheduled for these months.

Last year, after the opening of the Iron Curtain and the removal of the technical barriers, 42 persons a month were caught here on average along this section of the border. The invasion of East Germans in August raised this number to 142. During the first two months of 1990, between 30 and 40 persons attempted to cross the "green border." As of 14 March, the Austrians are admitting only those Romanians who have Austrian visas, but a Romanian citizen is unlikely to get a visa. Since then the guards attached to this post have been catching 120 border violators a month. There are a few Soviets, Turks, Syrians, Libyans, Ghanaians and Chinese among them, but the overwhelming majority are Romanians.

Since 1 January, a border violation is merely a petty offense, and a guard's behavior has changed accordingly. He cannot send his muzzled dog after a person attempting to escape, nor can he fire a warning shot. He may use his firearm only when attacked, if there is no other way of defending himself.

Austria relentlessly barred the "craze" in March. It admits only Romanians with valid visas and hands illegal immigrants back to Hungary without any hesitation.

Situation More Complex

Colonel Tibor Vidus, the district commander, says: "Every country is striving to put in place a defense mechanism against foreigners. The Western countries are allowing to settle only as many people as they need to do their 'dirty' work. They are protecting the jobs and living standards of their own people. Hungary's situation is more complex because there are many ethnic Hungarians among the Romanian citizens arriving in our country. But border violators of other nationalities have also surfaced: Bulgarians, among others. And if passports valid for travel anywhere in the world are introduced in the Soviet Union, it is not difficult to predict that millions of Soviet citizens will set off for the West through Hungary. We do not dare to even think of what will happen then."

I asked also Interior Minister Balazs Horvath how long would Hungary remain a passageway?

"Since increasingly fewer nations are willing to admit East Europeans, we are no longer a transit country, but more of a collecting country, like Austria at one time," he replied. "In this region of Europe, it seems, this role is a burden that a civilized country must bear. I know that our border guards are under immense pressure and are passing their test with honors. Naturally, we are holding talks to find a solution, but for the time being we are unable to come to terms with the Austrians on a 'deportation agreement'. As long as the Romanians leaving home are unable to earn a living in our country, they will try to escape to the West. We are in constant contact with the United Nations organizations concerned with refugees, but the money we are getting from them is merely a trickle. However, the Romanians are not the only ones we are concerned about at present. A truly great invasion can be expected from the Soviet Union." [passage omitted]

The border guards respond to yet another alert. They soon bring in two Romanian boys, repeaters who were already warned that afternoon to stay away from the border zone.

I asked what would happen to them now?

"We will give them a strict warning," Major Nemeth replied.

And if that did not help?

"Then perhaps I will scowl at them. Nothing more. Sometimes we deport the notorious ones. But that is a police procedure, and on weekends the municipal police substations are manned only by duty officers."

When I talked to Colonel Tibor Vidus later on, he said: "Our conscripts see that the arrests they make do not matter much in terms of their consequences, and that demoralizes them. It is to be feared that, after a time, they will become indifferent. Moreover, they also know that they are protecting the Austrians from foreigners who would like to emigrate there. Incidentally, our talks with the Austrians on introducing daily cooperation are progressing."

We go over to the Erzsebetpuszta post where a young lieutenant, Zsolt Szell, is the acting commander. He is writing a report lefthanded. Seated facing him is Igor, a Russian. This is his third try to cross the green border, with his wife, a kindergarten teacher, and their two children, four and six years old.

"We will not tell the KGB and will not stamp your passport," explains the lieutenant, using what Russian he learned at the military academy. [passage omitted]

Professional Border Guards

"Along the Hungarian border we must get ready permanently for the migration of nations," says Colonel Tibor

Vidus. "And amidst our extremely heavy workload, the complete reorganization of the border guards is proceeding. By the end of 1991, there will be only professional guards serving in the Gyor district. During the change of regimes, of course, polemics developed about the place and role of the border guards. Our proposal is that we remain under the Ministry of the Interior, in accordance with our carefully elaborated concepts, but function as a border police force. Duties pertaining to the maintenance of law and order, refugees, police administration, environmental protection and national security could round out our basic duties. Our estimates show that this force could operate on two-thirds of our present budget. Realization of the aforementioned concepts will require first of all a constitutional amendment. In other words, we would have to become a public body, instead of an armed force. Thereafter our duties could be laid down in a Law on Policing the Border."

Internal, External Security Forces, Milieu Assessed

91CH0005A Budapest KAPU in Hungarian Sep 90
pp 35-37

[Article by Istvan Kriston: "Intelligence, Counterintelligence, and the Security of the Hungarian State"]

[Excerpts] It seems that a unified concept for the security of the Hungarian state has yet to evolve.... Transformation of the various specialized fields takes place with a phase delay. The gradual transfer of power produced peculiar security "interferences." Suffice it to refer to the different roles played by the military and the so-called interior spheres in the course of a temporary power vacuum. A functional change in regard to the "interior" system of ideals and institutions has begun, but the "inert movement" of the interior system has not yet come to rest. The earlier state security structure fell apart. Seemingly it relates to the evolving state model along new "sensing and moving" courses. Unfortunately, it is still necessary to preface this statement with the word "seemingly".... Still today, the state security organization resembles a still drooling, imaginary "pavlovian police dog".... As a result of brain damage suffered earlier the conditional and unconditional reflexes of the animal are still mixed. Returning to the more serious topic of our discussion, it can be said that transformation of the institutional system alone does not provide assurances that the "raison d'etat" will function on the basis of the well-founded defensive security interests of the sober mind and of the Hungarian state. Several phenomena suggest that the transforming state security organization may remain a destabilizing factor unless it develops an appropriate relationship with civilian society in the process of reorganizing itself, becomes indifferent in regard to the foreign policy orientation to be followed, and becomes organically integrated with a security structure which operates fundamentally in the background. The following is an analysis

of the anomalies of the above tripartite system of relationships of the security system, supported by the description of specific phenomena.

Civilian Society and State Security

Civilian society finds itself in a state of "feverish self-organizing"; it is stratified primarily along the lines of economic and political interests. The state security situation has become more complex. As a centralized mechanism it is incapable of comprehending, sensing this "teeming" of the people, it is struggling with disturbances in regard to selection. Many problems were placed on the state security table. Some organizing principles are needed in a situation like this: what citizen conduct and organizing effort should qualify as a fact or event which justifies the use of a "step-up transformer" and needs to be viewed in the context of the state! At present, this transformer function represents the largest source of mistakes made by the secret service. Although the transformer has been taken apart, it seems as if the winding of the coil remained the same, not to mention the fact that they are still working with high voltage at a time when low voltage would do.... "Increasing the worth" of events in civilian society takes place in three large transformer stations within the disintegrated secret service system. These are the Information Office (essentially the old Intelligence Office) headed by Colonel Istvan Dercze; the National Security Office headed by Lajos Nagy (engaged in counterintelligence activities, activities protecting the constitution and the detection and frustration of acts of terror); and in the third large "transformer": the Security Service of the Hungarian Honved Forces, which is also detached by now (previously generally referred to as military counterintelligence.) Personal freedom may no longer be restricted in regard to transactions detected or organized by the secret services, but if such restrictions are necessary, the State Security Investigative Division [AVO] of the National Police Headquarters enters the case. This is the new AVO.... This organization also performs the functions of a "step-up transformer." It examines acts discovered, revealed in the course of the state's persecution of crime, acts which involve state security. Accordingly, crimes against the state are investigated by the AVO, irrespective of whether word about such act was received from the secret service or from the police, or perhaps as a result of a citizen complaint. This is the extent to which I burdened the reader with studying the organization in order to convey a sense and understanding of the structure. I will stick closely to the relationship between civilian society and the "elephant ears" nevertheless, because this point of contact determines whether Hungarian society will indeed have an organization which provides security and is neutral with respect to citizens, or if the old, "unconditional reflex" organization survives. Whether the secret service will regard all citizens—including statesmen—as potential agents who may be recruited (perhaps as a fifth column), or if a more

tamed *raison d'etat* may come about that reacts only if it is actually attacked.... The latter would be desirable. [passage omitted]

One may also expect that the standards of work performance will be more professional. For this reason one may count on the secret service, but should it be trusted? Well, I feel that the shortage of funds will continue, and that therefore "traditional public airing, extortion and pressure" will remain among the well-known fixtures. For this reason, my fellow citizens, continue to cast your eyes [passage omitted] on the secret service. Take away the bug found under the rug and drawn by your child on a string, give sufficient stupid misinformation to your apparently faithful acquaintances, don't spare those 100 forints from the wrecker to tow away the vehicle left in front of your house—the one that looks like a wreck from the outside, but on the inside is equipped with a field intensifier and a camera. Do not permit repairmen to enter your homes unless known to be reliable and tested, [passage omitted]. For the moment it seems that the successors of the AVO people lost ground at the secret services, and that a self-cleansing process is also going on among them. Until such time that our normal civil democratic conditions become reviewable also in this area, figuratively speaking it would not hurt to keep the "dog" near the house.... animals never lose their natural instincts, they distinguish for their masters between friend and foe....

Foreign Policy and State Security

The perception of Hungarian state security held by the earlier secret services was based on an external and internal enemy image. The internal enemy image became tamed, or rather disintegrated as a result of democratized social conditions, and with that, the internal security structure that was actually developed "against" us citizens fell apart. This took place not to a small extent as a result of external pressure. The transformed secret service structure is externally orientated! But where are those good old external enemies whose names could be invoked all the time, and upon whom the state and the secret services based their survival? [passage omitted]

Hungarian foreign policy endeavors to establish good relations in several directions. This also applies to the external economic opening. Liberalization of international relations and the accompanying "people's diplomacy" increases the sphere of action for the intelligence services, and simultaneously "opens a wide front for counterintelligence." Special analyses of international relations are indispensable from the standpoint of state security, nevertheless we are witnessing a shift in proportions and emphasis. One can observe that the new direction followed by the secret services may be described as an equation with three factors: the "vector direction" points all around, its content is defensive, and functions as "one of the" (!) information channels for formulating foreign policy.

The "all around" character means that "there are no friendly intelligence services...." "I am afraid that at present this amounts to a desire only, and that the "circle" is still rather square. The secret service system nurtured by mother KGB's milk is likely to search for its own profile for a long time to come. Not to mention the fact that it must abandon its previous service provider role and must become independent. In a paradox manner, while the service becomes independent, it requires action. [passage omitted]

The defensive content may gain expression by the fact that there are no hostile nations, but the economic, foreign and security interests of various states may differ. Along these lines endeavors exist to provide "revelations" which serve as better foundations for foreign policy actions and render the foreign policy sphere of action more predictable. These endeavors may be seen through the secret channels of power already, even though they are not yet present in public political thought. A democratic country which is outwardly open from an economic standpoint, a country dependent on world trade and exposed to troubling political winds must steer its ship cautiously.... This could be accomplished more appropriately by a secret service concept which lays greater emphasis on a defensive, reactive, flexible counterintelligence. Since we do not determine matters, but much rather are the subjects of "determinations," we should find out the intentions of others through hostile spies, not through our own intelligence officers!.... If it were up to me, I would regard and prefer the recruiting of hostile spies as our own intelligence officers as the most thrifty method.... [passage omitted]

And here we reached the point of discussing the information channels, the sources of information, the personal and technical system of means, and the integration of these with the security structure. It is my hope that the designation "National Security Office" is reserved within our security structure—and, it is hoped, only as a concept.... Our security, and particularly the security of our entire nation may be tied to the beneficial activities of counterintelligence and antiterrorism only in part. [passage omitted]

I would find it useful if the information sources for "secret work" would continue to be recruited from the advertising and propaganda industry, the world of shows and nightclubs, from the foreign tourism and hotel industries, and from among the doubtful ("dual") actors of the quasi legal business, avoiding a majority of the citizens.... I do not believe that it would be fortunate if small and medium-sized Hungarian-foreign joint ventures, or in general, the economy would be burdened with "secret weights.".... Let them establish "post office box firms" to receive "letters from those who cooperate".... What would happen if at last, the secret services would work independently, without us....? [passage omitted]

POLAND

POLITYKA Weekly News Roundup

90EP0852A Warsaw POLITYKA in Polish No 34,
25 Aug 90 p 2

[Excerpts]

National News

[passage omitted] During a meeting with the residents of Piotrkow, President Wojciech Jaruzelski, greeted with signs demanding his dismissal, said: "I will certainly not remain oblivious to the voice of public opinion. In this regard, I am ready to submit to the will of the Sejm, which will take up the matter in September."

Professor Dr. Ewa Letowska, the Ombudsman for Citizens Rights, has submitted a petition to the Constitutional Tribunal asking it to investigate the agreement of the instruction on the restoration of religious instruction to schools with the current laws. [passage omitted]

Editions Spotkania, the independent publisher operating in France and in Poland, intends to publish a mass circulation weekly SPOTKANIA, which will not be, as announced, associated with any political fraction or group. [passage omitted]

Minister Andrzej Milczanowski, the head of the Office of State Protection, stated in KURIER SZCZECINSKI that "the extraparlimentary opposition activists or political groups are not being watched. Piotr Baumgart has not been and is not being "supervised by the services of the Office of State Protection.... Perhaps he is interested in using blown up claims of this type to color his political profile."

The Accord of Polish Greens was formed during a meeting of representatives of parties and ecological groups in Szklarska Poreba. They decided to hold a congress at the end of 1990.

Military training was completed by 93 percent of the students it covered. In September, 1,300 will repeat their examinations. On the other hand, in the coming semester, prior to the introduction of the new legal regulations, military training will be suspended.

The Economic Section of the OPZZ [All-Polish Trade Unions Agreement] has calculated that nearly half of all families have incomes below the social minimum, which in June 1990 was 497,000 zloty per individual in a family of two and 404,000 zloty for a family of two retirees or pensioners.

The Antimonopoly Office has recommended the division of the multiplant enterprises Polmos and Bacutil. It is examining the merit and possibility of dividing Polgaz, Polski Tyton, and the Petroleum Industry Center. Auditors from the Antimonopoly Office have also visited Ursus, Pewex, Baltona, and the Polish Security Bank.

The Voivodship Commandant of the Police in Krakow now earns around 2.5 million zloty; a commissariat commandant (a captain, eight years of service), about 1.8 million zloty; a district head (a sergeant, five years of service), 1.4 million zloty; and a newly hired patrolman, 1.25 million zloty. [passage omitted]

Representatives of the Solidarity Plant Commission from the fishing enterprises Dalmor, Gryf, and Odra have decided it is worthwhile considering engaging chaplains on mother ships of fishing fleets. [passage omitted]

In accordance with proposals by members of the Wroclaw council, the chairman of the World Council for Peace will be informed that Wroclaw will not participate in the work of that organization. In the members' opinion, the World Council for Peace is subordinated to the government of the USSR; it has not fought for peace and uses conflicts for political purposes. [passage omitted]

The area surrounding Gate No. 2 at the Gdansk Shipyard and the Monument to the Fallen Shipyard Workers is to be transformed into a museum. The Swiss Association of Free Entrepreneurs has donated \$15,000 for the construction of a pavilion to house exhibits associated with NSZZ [Independent Self-Governing Trade Union] Solidarity. The Swiss also intend to contract with the shipyard for the production of wooden furnishings for ships and for the interiors of residential buildings.

Tours to the West in 1991 will be cheaper than to the socialist countries after conversion into hard currency. The initial price schedules show that in 1991 a hotel room in Moscow, including meals, will cost approximately \$52, in Berlin, about \$45.

The Council of Ministers has issued a decree that says, among other things, that municipal property belonging to "Prasa-Ksiazka-Ruch" Worker's Cooperative Publishing House will not become national or state property. [passage omitted]

Nominations: Prof. Dr. Jan Kieniewicz has been named ambassador of the Republic of Poland to Spain. [passage omitted]

Three crates of grenades (60 in all) and six antitank shells were stolen from a military unit near Nurzec in the Bialystok Voivodship. [passage omitted]

Opinions

[passage omitted]

Edmund Baluka, leader of the strike in 1970 in Szczecin and one of the leaders of the Polish Socialist Party (PPS):

(From comments for MORZE I ZIEMIA 8 August 1990)

"I realize that Poland after 40 years of the communist experiment finds itself at a crossroads. The government faces the dilemma of how to lead the country out of the economic collapse. But, it seems, the option oriented to

a rapid enrichment of the state at the cost of its citizens has won out. Thus, the extreme reaction of the people and the increasingly frequent appearances on the walls of slogans like "Come back, Communa, we are dying!" These slogans do not reflect a sudden return of love for communism so much as a claim to its rights by a society, which has been treated like a laboratory animal. A society which has suddenly been deprived of the right to work and earn that until now permitted it to live at a certain standard (whether higher or lower)."

Artur Balazs, minister for living conditions in rural areas:

(Interviewed by Mieczyslaw Kaczanowski, GLOSSZCZECINSKI 4-5 August 1990)

[Answer] I cannot imagine that Mazowiecki would oppose Walesa in the presidential election. That would be dangerous for Poland. A victory by either of these politicians would in effect lead to political destabilization. Regardless of who won, Walesa or Mazowiecki, one would have to go into opposition. And they are the pillars around which today the most important forces in Poland are gathered.

Prof. Dr. Roman Ciesielski, senator, and Jozefa Hennelowa, Sejm deputy, on the proposal to liquidate the graves of the Soviet soldiers next to the Krakow Barbakan:

(From a letter to GAZETA KRAKOWSKA 3 August 1990)

"The breach of the peace of the dead in the name of any political goal must be perceived as a symptom of an odd barbarism. That is how it is judged in the entire civilized world. Only a higher necessity can justify the liquidation of a place of rest, and here no such necessity is involved. We think that in an independent Poland, too, the Soviet soldiers who died in the battle for Krakow should rest in peace where they were buried and that they should also receive the tokens of esteem due the dead, now that these rites are no longer part of the forced ceremony of the regime. That in no way reduces our sovereignty or the satisfaction we derive from it, and it raises our national honor."

Tomasz Jezioranski, deputy editor in chief of ZYCIE GOSPODARCZE:

(TRYBUNA SLASKA 10 August 1990)

"It is sad to say but from behind the proposed purge of personnel from top to bottom according to ideological criteria (all reds—out) there peers the familiar Bolshevik dogma that every leadership position in the economy is a link in the structure of political power, and it is of no avail to the regiment of Balcerowicz's if the doctrine 'he may be stupid as long as he is ours' continues in force."

YUGOSLAVIA

Croatian Democratic Party Chairman on Economy, Ethnic Problems

90BA0324A Zagreb DANAS in Serbo-Croatian 4 Sep 90
pp 12-14

[Interview with Vladimir Veselica, chairman of the Croatian Democratic Party, by Mladen Maloca; place and date not given: "The Fate of Small Peoples"]

[Text] The name of Dr. Vladimir Veselica, among the new Croatian politicians, has already ranked high on the scale of popularity for a long time.

His constructive and conciliatory speeches in the Assembly or public gatherings evoke sympathy, and thus support, but also confusion: Is the Croatian Democratic Party's political line the one formulated in their speeches by the party's hawks (Marko Veselica, Anto Kovacevic, and Gabelica), or is it the one that can be recognized from the calm words of its chairman, Vladimir Veselica? It is precisely for this reason that careful observers were surprised by the harsh reaction by the otherwise always calm Stipe Mesic, who responded unusually sharply to some of Veselica's questions in connection with the election of the new Croatian member of the SFRY Presidency. Some people perceived the rivalry of sister parties in that reaction, while others perceived nervousness over Veselica's criticisms of the past work of the Republic government. When we asked Veselica about this a few days ago, while he was waiting to return to the Zagreb Economic School as a professor after an 18-year hiatus, he himself could not find a concrete answer.

[Veselica] My remarks did not call Mesic or anything else into question. They were made in good faith, as a suggestion that in the future there should not be institutional allocations for the underdeveloped republics and Kosovo, because the existing criteria for the threshold of development contain voluntarism and arbitrariness that time has already overtaken.

Croatia today has a per capita income of about \$3,000, and is underdeveloped itself, with numerous economic problems of its own. Furthermore, I felt that the Croatian government's program could not be Ante Markovic's program; it contains good and acceptable things, but the Croatian economy has its own unique features and, in my opinion, is about to be sharply confronted with an economic and social crisis.

My remarks were received quite differently, however; that is why I wanted to emphasize that the Croatian Assembly had to nurture a democratic spirit and that the habitat of every representative had to be protected.

[Maloca] How do you interpret the fact that the newly established government is dealing mainly with the issues of political restructuring, and that attempts to work on economic stabilization and transformation are not being felt to the same extent in the life of the Republic?

[Veselica] One simply receives the impression that it is an overlooked area. Admittedly, it is also understandable to me that political elements have been predominant in this first phase of the work of the Assembly and the government, in view of the environment that we must emerge from. The continued absence of a consistent economic program, however, could lead to a new intensification of the crisis, and not just an economic crisis, but a political one as well. Many economic units in Croatia are collapsing, and no concept that could successfully surmount this is in sight. Croatia currently has 156,000 people unemployed, and 200,000 people unproductively employed; an increasingly large number of retirees are living on the border of subsistence. I think that even these superficially mentioned facts indicate the responsibility of the party in power. The HDZ [Croatian Democratic Community] has not yet offered the Croatian public a program that could be the basis for surmounting those social and political tensions. If the citizens of Croatia do not fully perceive the results of the political changes in this other sense as well, we will arrive at the brink of another and more serious crisis. I therefore personally advocate a Croatian New Deal, not in the Roosevelt sense, but in order to have those economic processes finally initiated in Croatia.

[Maloca] To what extent do the changes in the government promise that things will turn around along the lines you are discussing?

[Veselica] The election of Josip Manolic is a consequence of the circumstances in which the HDZ itself is creating its governing team in the key posts in the Republic. Perhaps it was expected that the government would be headed by a younger person, with a more pronounced economic background, especially in view of the problems that I mentioned. With the changes that have been carried out, Croatia has become politically and economically sovereign, and what the Croatian public expects now is the economic program that, in my opinion, should have been presented at the very beginning, regardless of all the circumstances.

[Maloca] Under the conditions currently prevailing in our area, how is it possible to achieve the full economic and political sovereignty you are discussing?

[Veselica] There will be conflicts over that, but it is possible. If Croatia were not politically sovereign and situated as such constitutionally and legally, it could not be economically sovereign either. And economic sovereignty means that Croatia controls all its natural resources, the social wealth that has been acquired, and all of the income that it creates. In the present system, regardless of Ante Markovic's reforms, Croatia is still neither politically nor economically sovereign. That is because we still have the concept of a distributive economy, under which Croatia's obligations are truly enormous.

[Maloca] Both you and some of your critics have spoke with certain reservations about Ante Markovic's reform

project. Do our republics have any other chance at all aside from the prime minister's program?

[Veselica] I have said before, and I can repeat it, that the federal government has achieved positive results in many economic areas. It is evident that there has been a whole series of approaches that are innovative in our circumstances, although it should be stated that many people forget that the prescription offered to us by the federal leadership as a way out of the crisis is a prescription that is well known in the highly developed market countries. There are also several fictions in that project. I will mention, for example, the fixed exchange rate for the dinar, which is unrealistic, and so many enterprises are showing enormous losses because of it. People are still advocating the fund for the underdeveloped areas, even though at the same time all the measures that have been undertaken have not led to any growth in the social product. What should be admitted, of course, is the fact that much of it has been done by liberalizing imports and exports, prices, etc. Also, an enormous growth in foreign exchange reserves has been achieved; that means a great deal to economic laymen, but can it be an indicator of prosperity with such a sharp rate of decline in the social product? Obviously, the growth in foreign exchange reserves is a result of other relationships, and not of a sound economy. There are relationships here that are hard to comprehend even for people who deal with economics systematically, but, in general, my criticism is that Markovic's program has many elements of a distributive economy, which is blocking the establishment of a market one. It is not by chance that such a concept is acceptable, let us say, for Bosnia-Herzegovina, Macedonia, and Montenegro, but is not supported by Slovenia or Croatia.

[Maloca] In spite of your criticisms, however, so far Slovenia and Croatia have not offered any more adequate economic programs.

[Veselica] They have not, but one can talk about the reasons. Is it only a consequence of not having enough strength to engage in a confrontation, or is it a result of the fact that even the innovative amendments are strengthening the position of the federation? With the proposed constitutional amendments there is still an insistence upon strengthening the position of the federal center, and thus of the federal government. But that is precisely the centralist option that has been subjected to destructive criticism in all of these processes. It is attempting to maintain those institutions which are not known or not recognized by a market economy.

[Maloca] Does that mean that we are threatened by a new wave of inflation?

[Veselica] Let us make things clear. Inflation cannot be curbed cheaply. I do not mean to say that some results have not been achieved by the measures to date. We have gained a respite in which the situation can be assessed more calmly, and there is no pressure on the growth of prices and everything else. It can be expected,

however, that an explosion of prices will continue to occur, because even this year, regardless of the various predictions, inflation has already exceeded that magical 100 percent. The dinar exchange rate will also have to be changed, because that fixation on the mark is an illusion that a market economy does not recognize. Those artificial parameters will have to disappear, as well as concepts like revaluation, financial rehabilitation, and consolidation, which you will not find in any vocabulary of a market economy. Furthermore, our entire accounting system is unrealistic; there are enormous paper assets, negative exchange rates, and numbers that make your head ache. All of that is Daltonism. And since you are asking me for an assessment of Markovic's program, then I will state that the most attractive thing to me in it is the part that, *mutatis mutandis*, has to do with the concept of reprivatization and the liquidation of social ownership and social capital.

[Maloca] Recently there has been frequent mention here of the state sovereignty of individual republics, but judging from the reactions, there are still many people who are not ready to accept that idea.

[Veselica] First of all, it should be emphasized that the processes that we are witnessing show that Yugoslavia has become at least questionable, and that the model in which we lived belongs to the past. In my opinion, the processes that are under way show that in actuality each republic has to build itself. That is a new aspect, and in connection with this I would stress that Croatia has already passed the test of democracy, with all the political risks. The first time was in the elections, and the second time was in defending those civilized and democratic achievements, which are admittedly still in their infancy, but are fundamental. Anyone who does not understand that Yugoslavia is a polyvalent structure, that it is inhabited by original historical peoples who have their own area, their own culture, their own language, their own economy, their own civilization, cannot, in practice, be the one to carry out the expected civilized and democratic changes. Even though dogmatic resistance and a lack of understanding are being felt and perceived, that retrograde framework is nevertheless being gradually surmounted. Furthermore, there are also historical burdens. All of us who live within the framework of Yugoslavia today were not together in 1918, and we lived by different cultural codes. Our historical experience teaches us that neither the royalist nor the federalist concept provided the right solutions, because if they had, we would not have all these tensions today. I am therefore a proponent of the confederalist thesis, and I think that that model could provide a certain *modus vivendi*, although things and processes in Yugoslavia should be viewed much more broadly, and all of the institutional and constitutional-law prerequisites for each people to determine its own fate should be created.

[Maloca] Under the conditions of extreme political intermingling and interdependence, is it possible to form our own ministates that would exist independently in the European region?

[Veselica] There are many delusions among us about those issues. There are no reasons whatsoever that there should not be an independent Croatian state, an independent Slovene state, an independent Serbian state, etc. In modern circumstances, the size of states is not any sort of criterion for the existence of any independent state. We have to understand that nations are a reality and that each people bears within itself a natural desire to have its own state, because a people without a state is like a turtle without a shell. The experiences of both the European peoples, and our own, show that whenever they have been together they have been at war. The example of Sweden and Norway is significant in that sense, and also the example of Serbs and Croats. There was never any conflict between them until 1918, and all of the evils and disagreements started on 1 December 1918, on the day of unification. That remains in the collective memory of the peoples, and then the negative experiences wipe out everything that was positive. That is something that burdens the Serbian people, but also the Croatian people as well, and that is why I always recall the example of Sweden and Norway; after they separated, they were no longer at war. After all, even Siamese twins have to be separated in order to survive.

[Maloca] Nevertheless, if one looks at the mutual intermingling, the level of culture, and the historical orientation toward each other, doesn't it seem to you that there are more reasons for joint coexistence than for separation?

[Veselica] That is an interesting topic, but I personally am not sure that the peoples of Yugoslavia are necessarily oriented toward each other. As I view the historical processes, the Croatian people abandoned the code of Western civilization, and entered another one, in which it received an inferior position. For the sake of illustration, Croatia, while living within Austria-Hungary, was 15 percent more undeveloped than Austria, and 10 percent more undeveloped than Hungary. The Croatian-Hungarian treaty respected the principle of territoriality, and Croatia was left with 99 percent of its funds; and that is the explanation of why so many capital projects were built in Croatia during the time of Khuen Hendervary. When we talk about those issues and relationships, we have to get rid of the old phraseology and fictions once and for all, and lay the relevant facts based on historical trends on the table, and talk about the past and the future on the basis of those facts. And when economic arguments are cited, we have to look the facts in the eye. Croatia does not have any special benefits like certain other republics. The very facts that Croatia spends 70 percent of its social product itself, that only 10-12 percent goes into interrepublic trade, and that investment transfers are about one percent, speak for themselves, and are most of all in support of the thesis that the Yugoslav market is not a vital prerequisite for Croatia's survival and its economic and political sovereignty. Consequently, the topic of joint existence could be viewed in this way, and it could also be assumed that

in the new arrangement, the flows of capital and goods would be completely different and more productive than they are now.

[Maloca] Since we are now seeking a new Yugoslav agreement, how do you interpret the prewar negotiations on Serbian-Croatian relations from today's standpoint?

[Veselica] Well, certain Belgrade circles, headed by Prince Pavel, had already realized that Yugoslavia could not be the kind of royalist entity that King Aleksandar wanted. If it had not been for all those wartime atrocities, Croatia would look completely different today. It seems that we have learned nothing from all of that, however. After the royalist concept, this concept of a centralized Yugoslavia, with Belgrade having this position as its capital, was contrary to the interests of the peoples in Yugoslavia. It is absurd, for instance, that virtually all the federal institutions are located in Belgrade. There is no polyvalence there at all, although Yugoslavia is a polyvalent country by nature. Such centralization does not exist in democratic countries. In West Germany, for example, Bonn is the administrative and political center, but everything else is dispersed. In such a centralist model, the economy utilizes the principle of the transfer of resources, by which the more developed republics are automatically put in an unequal position.

[Maloca] How, then, do you interpret the fact that for several years now Serbia has been exploiting the thesis that that Republic has made the greatest contribution to this Yugoslavia, and that the resources through which the more developed northwestern parts of the country were developed were extracted from it?

[Veselica] Those are unfounded claims. I have done considerable studying of the postwar development of Yugoslavia, and I can say that that element of the displacement of certain facilities out of Serbia, which is being written about so much now, was really marginal. There were only a few facilities involved, and that was in a system in which a centralized economy existed and in which Serbia did quite well through guaranteed investments. I could mention just a few of the capital projects that were built with federal funds in Serbia, for instance the Danube-Tisa-Danube canal, and the Belgrade-Bar railroad, which not even much more developed countries would have ventured to build, and the creation of automobile and electronics industrial centers. The way in which funds were gathered for such undertakings was contrary to the polyvalent essence of Yugoslavia, and if we again mention Belgrade, where all the federal institutions are located, which has thereby been turned into a banking and financial center in which a large number of people, mostly from Serbia, are employed for federal needs, then it is quite clear who has fared how well in a Yugoslavia organized in such a fashion. At the same time, Croatia is being attacked because of its supposedly privileged position, while people are keeping silent about the fact that under these conditions it has had a completely inferior status, although it earned 80 percent of

the foreign exchange earnings from tourism, 60 percent of the foreign exchange remittances came from its citizens, 95 percent of the maritime economy is concentrated in it, and through those artificial exchange rates tremendous amounts of money have left Croatia for other parts of Yugoslavia. When those facts are compared, then it probably becomes clear why Croatia is against a Yugoslavia that is organized this way, because there is no people that would yield such funds to others out of any brotherly love, while stagnating itself and descending to the level of Asian poverty and Balkan drabness. Today it has to be clear to everyone that just as an individual lives by his own work, entire peoples must also live by what they earn. Accordingly, one can state freely that if anyone has been exploited, it has been Croatia. And I must say that I am sincerely amazed at academicians like Kosta Mihajlovic, who are now advancing theses about the inferior position of Serbia in Yugoslavia. That is simply at odds with the facts.

[Maloca] How do you view the latest political movements among Serbs in Croatia, since it is quite evident that their mood is also a reflection of the general circumstances and scenarios prevailing today in Yugoslavia?

[Veselica] In my opinion, the amendments to the Croatian Constitution are still limited in scope, because they were aimed more at forming Croatia's legal aspect than at changing any more important elements. In my opinion, those changes aroused completely unjustified

reactions among the Serbs. Regardless of those interpretations and views, however, there obviously has to be a discussion about what Croatia is. The fact is that Greater Serbian circles do not accept Croatia in any form, and would prefer to reduce it to a reliquie reliquiarum. I can understand not accepting some retrograde concepts, but I simply cannot understand not wanting to accept a modern democratic concept. Such a civilized, sovereign, democratic Croatia is not only in the interest of Croats, but also of all those citizens who live on its territory, and thus those in Knin, Obrovac, Benkovac, Lapac, and elsewhere as well. They do not live on Mars, but in Croatia, and these democratic changes that have begun are also an opportunity for Serbs to express the fullness of their national essence, language, and culture, in Croatia as their homeland. The problem of the Serbs in Croatia cannot be viewed and formulated on the basis of the negation and destruction of Croatia, because the affirmation of Croatian interests is also at the same time the affirmation of the interests of the Serbs in Croatia. If the Karlovac-Split highway is built, that will also have an economic effect on the Serbs who live in those areas. In saying all this, I am naturally not thinking that the Serbs have to be separated from their national motherland. Of course, I think it is quite natural that they associate all of their ties, from sentimental to spiritual, with Serbia, just as Croats from other countries maintain those ties with their own motherland. In that respect, it is necessary to nurture democratic sensitivity, because it is only on the basis of mutual trust, without vulgar assertions, without the witch hunts and surprise attacks that belong to European prehistory, that we can live together in mutual understanding and harmony.

ALBANIA

Decrees Regulating, Protecting Foreign Investments

Rules for Enterprises With Foreign Capital

91BA0007A Tirana GAZETA ZYRTARE in Albanian
No 6, Aug 90 pp 188-196

["Decree on the Economic Activity of Enterprises With the Participation of Foreign Capital in the People's Socialist Republic of Albania"]

[Text] On the basis of Article 78 of the Constitution;
At the recommendation of the Council of Ministers;

THE PRESIDIUUM OF THE PEOPLE'S ASSEMBLY OF THE PEOPLE'S SOCIALIST REPUBLIC OF ALBANIA RESOLVES:

Chapter I

GENERAL PROVISIONS

Article 1

Economic enterprises with participation of foreign capital can carry on their activity in various sectors of the economy in the People's Socialist Republic of Albania, in accordance with the objectives stated in the current and long-range economic development plans for the economy of the country.

Article 2

An enterprise with the participation of foreign capital (henceforth called "enterprise") is a juridical person with headquarters in the People's Socialist Republic of Albania which is created on the basis of a contract, in which one party is an Albanian juridical person, with headquarters in the People's Socialist Republic of Albania and the other party is a foreigner or an Albanian, a juridical or legal person, with headquarters outside the territory of the People's Socialist Republic of Albania (henceforth called "foreign person").

Article 3

The enterprise has for its purpose:

- modernizing existing facilities or constructing new facilities with advanced technology, for the extraction and processing of the raw materials of the country;
- increasing exports or reducing imports;
- expanding the range of consumer goods;
- creating new jobs;
- implementing modern methods of organizing and managing production and services, etc.

Article 4

The purpose and activity of the enterprise are stated in its contract and statute.

Article 5

The activity of the enterprise, the relationships arising from the contract on the basis of which it is created and its relations with other Albanian juridical persons are regulated by Albanian legislation.

Article 6

The economic activity of the enterprise and the investment of foreign persons in it are protected by the state which assures to these people the same conditions as it does to Albanian juridical persons.

By provision of the Council of Ministers, special restrictions can be placed on foreign persons of those states which place restrictions on the activity of Albanian persons.

Article 7

The enterprise carries out its activity after receiving the appropriate authorization from the proper state organ.

Article 8

The enterprise is responsible for paying its debts from its own funds. It is not responsible for the debts of the state or the debts of other juridical persons. The state and other juridical persons are not responsible for the debts of the enterprise.

Article 9

The period of activity of the enterprise is specified in the contract.

Article 10

The enterprise, in accordance with its statute, determines the 5-year and annual programs of economic and financial activity.

Article 11

The enterprise presents its annual balance sheet and activity report to the local financial organs by 31 March of the following year.

Chapter II

AUTHORIZATION FOR SIGNING THE CONTRACT

Article 12

The authorization for signing the contract or for amending it is given by the Council of Ministers of the People's Socialist Republic of Albania, at the request of the Albanian juridical person, through the ministry which has under its jurisdiction the sector in which the

enterprise will be carrying on its activity. In the case of banking activity, the authorization is given by the Albanian State Bank.

The Council of Ministers examines and makes a decision on the request for authorization no later than two months after it is presented.

Article 13

The request for authorization must include the following:

- a) the name of the enterprise, the center of the activity and information on the foreign persons involved;
- b) the purpose of the activity of the enterprise;
- c) the nature and type of enterprise;
- ch) a complete study, which includes a technical and economic analysis of the activity of the enterprise;
- d) the amount of capital, the shares of individual participants, the form and currency in which payments will be made, the manner of distributing profits and covering losses, and the minimum sum in the reserve fund;
- dh) the draft statute and draft contract.

Article 14

The authorization is given for a period of upto 10 years. Any request for an extension must be presented one year before the expiration of the authorization in effect.

Chapter III

ADMINISTRATION OF THE ENTERPRISE

Article 15

The enterprise carries on its activity in accordance with its contract and statute. Within the territory of the People's Socialist Republic of Albania it establishes economic contacts for carrying out its activity, signing contracts with local enterprises.

Article 16

The enterprise is supplied with raw materials and with other goods under competitive conditions. Material-technical supply from the country or from import is carried out using the currency specified in the contract.

Article 17

The enterprise decides on the form of its relations with partners outside the country. It can sign contracts with them in an independent manner, within the limits permitted by the legislation of the People's Socialist Republic of Albania, or it can collaborate with foreign trade enterprises of the People's Socialist Republic of Albania in carrying out its export and import activity.

Chapter IV

FINANCIAL ADMINISTRATION

Article 18

The enterprise establishes the following funds:

- a) a reserve fund to cover losses or risks and to finance fluctuations in the administration of the enterprise and in the Albanian currency, as well as in foreign currency;
- b) cultural and social funds as well as the distribution funds, according to the general regulations stated in the statute.

Article 19

At the end of the calendar year, after the payment of all taxes, the enterprise sets aside no less than five percent of its earnings for the reserve fund, until the sum specified in the contract is achieved.

After the payment of taxes and the setting aside of monetary assets, according to Article 18 of this decree, the enterprise can freely establish a fund for its further development or for other purposes.

Article 20

The funds established by the enterprise cannot be blocked. The enterprise has the right to use them freely, for the purpose for which it created them.

Article 21

After the payment of taxes and the establishment of the funds, the profit is divided among the participants.

Article 22

The annual balance sheet of the enterprise and the annual financial report are approved according to the regulations specified in the enterprise statute.

Chapter V

MANAGEMENT OF CURRENCY

Article 23

The enterprise finances itself in leks or in foreign currency.

Article 24

The enterprise keeps an account in foreign currency in the Albanian State Bank. Such an account can also be opened in a foreign bank, by agreement with the Albanian State Bank.

Article 25

Foreign persons have the right to transfer part of their earnings outside the state.

Article 26

The exchange of Albanian currency for foreign currency and vice versa is carried out on the basis of the exchange rate set by the Albanian State Bank.

Article 27

The enterprise has the right to obtain credit in foreign currency from the Albanian State Bank. It can also receive such credit from a foreign bank, by agreement with the Albanian State Bank.

Chapter VI

ECONOMIC CONDITIONS

Article 28

The enterprise creates an economic information system, in accordance with the legal provisions applicable for Albanian enterprises.

Article 29

The enterprise keeps accounts in Albanian currency, in accordance with the appropriate legal provisions applicable for Albanian enterprises. Exceptions to this regulation can be made by the Ministry of Finance.

Article 30

The enterprise gives the appropriate Albanian organs accounting and statistical data on related matters in accordance with the manner and conditions specified in the legal provisions which are applicable for Albanian enterprises.

Article 31

The profits of the enterprise are taxed. The amount of the tax is specified by the Ministry of Finance.

Article 32

When the economic activity of the enterprise during the taxable year results in losses, the tax can be obtained from the profits realized during the next three years.

Article 33

No tax is levied on that portion of the income which, according to a donation agreement, is given to an Albanian educational, cultural or scientific institution or a social organization, and on funds which are designated for the assistance of victims of natural disasters.

Article 34

The enterprise is obliged to keep accounts according to the regulations established by the appropriate Albanian state organs. Each year, at the request of the appropriate tax authorities, it will provide information on the accounting and economic activity it has carried out.

Article 35

The year's earnings are declared within a month of the issuance of the annual balance sheet, no later than 31 March of the next tax year.

Within a month after the presentation of the statement on the profits of the enterprise, the Ministry of Finance issues the appropriate document on taxes, implementing Article 31 of this decree.

Article 36

Raw materials, other materials and equipment imported by the enterprise for products for export are not subject to customs taxes.

Materials, machinery, equipment, etc. which are imported for reinvestment also are not subject to customs tax.

Chapter VII

LABOR RELATIONS

Article 37

Labor relations in the enterprise are regulated by labor contracts.

The parties in the labor contract can agree that a part of the payment to foreign workers of the enterprise will be in hard currency.

Grievances of workers against the enterprise are resolved by an Albanian court. When the plaintiff is a foreign worker, the grievance is resolved by the organ stipulated in the work contract.

The provisions of Albanian labor legislation are applied in the case of problems which are not regulated by the labor contract.

Article 38

Albanian workers in the enterprise are insured in accordance with Albanian social insurance legislation and foreign workers, according to the regulations stipulated in the statute.

Article 39

Additional conditions regarding the payment for the work of Albanians who work in this enterprise can be stipulated by special provisions.

Article 40

The protection of the interests of the workers of the enterprise is guaranteed by Albanian legislation.

Chapter VIII**CLOSING DOWN THE ENTERPRISE****Article 41**

The enterprise is closed down when the situations specified in the contract are shown to exist.

Article 42

The expansion of the enterprise is executed according to the regulations specified in its statute.

Article 43

This decree goes into effect immediately.

Tirana, 31 July 1990
Decree No. 7407

**FOR THE PRESIDIU OF THE PEOPLE'S
ASSEMBLY OF THE PEOPLE'S SOCIALIST
REPUBLIC OF ALBANIA**

Secretary: Sihat Tozaj
Chairman: Ramiz Alia

Protection of Foreigners' Investments

'91BA0007B Tirana GAZETA ZYRTARE in Albanian
No 6, Aug 90 pp 185-187

["Decree on the Protection of Foreign Investments in the
People's Socialist Republic of Albania"]

[Text] On the basis of Article 78 of the Constitution;

At the recommendation of the Council of Ministers;

**THE PRESIDIU OF THE PEOPLE'S ASSEMBLY
OF THE PEOPLE'S SOCIALIST REPUBLIC OF
ALBANIA RESOLVES:**

Article 1

Investments and economic activities connected with investments may be carried out on the territory of the People's Socialist Republic of Albania by enterprises, firms, foreigners or Albanians residing outside of the territory of the People's Socialist Republic of Albania, in accordance with the legislation governing these activities.

Foreign investments on the territory of the People's Socialist Republic of Albania enjoy protection and full security.

Article 2

The term "investments" includes:

- a) movable property and real estate;
- b) shares in economic activity with the participation of foreign capital;

c) monetary obligations (cash) that are used for the creation of an economic value or obligations of any kind that have economic value;

ch) trade investments, investments for prospecting for, extracting, and exploiting natural resources, and other types of investments.

Article 3

Foreign investments on the territory of the People's Socialist Republic of Albania cannot be expropriated or nationalized and will not be subject to any other similar measure of expropriation or nationalization with the exception of special cases for public purposes and always with the payment of appropriate compensation.

The compensation in the cases mentioned in the first paragraph of this article is equal to the value of the investment expropriated as of the date on which the other party is informed and this compensation is paid without delay, with the usual bank interest at the time of the payment. It is completely realizable and freely transferable.

In the event that the compensation is delayed, it is paid in one amount which places the investor in a position which is no less favorable than the position in which he would have been if the compensation had been paid immediately on the date of the expropriation.

Article 4

The legality of the expropriation, the nationalization or any similar measure as well as the amount of the compensation can be subjected to examination by a court.

Article 5

Enterprises, firms, or foreign individuals whose investments incur losses on the territory of the People's Socialist Republic of Albania because of war, a state of emergency, and forces of nature such as earthquakes, floods, etc., will receive the same treatment as Albanian enterprises in regard to redress for damages, compensation, etc.

Article 6

The payments in accordance with Article 3 will be made without delay, at the rate of exchange effective as of the date of the payment.

Article 7

Earnings from investments as a result of reinvestment enjoy the same protection as the investments.

Article 8

The People's Socialist Republic of Albania will encourage the spirit of good faith and cooperation for the speedy and just resolution of disagreements which might arise between the investing parties. If a resolution is not

achieved, at the request of one of the parties, the matter can be presented to an arbitrator chosen by the parties.

Article 9

The People's Socialist Republic of Albania will publish all the laws, regulations and procedures that concern or affect investments.

Article 10

This decree goes into effect immediately.

Tirana, 31 July 1990
Decree No. 7406

FOR THE PRESIDIUM OF THE PEOPLE'S ASSEMBLY OF THE PEOPLE'S SOCIALIST REPUBLIC OF ALBANIA

Secretary: Sihat Tozaj
Chairman: Ramiz Alia

BULGARIA

Chairman of First Private Bank Interviewed

90BA0332A Sofia POGLED in Bulgarian 10 Sep 90 p 5

[Interview with Ventsislav Yosifov, chairman of First Private Bank, by Alekseniya Dimitrova; place and date not given: "The Constitution May Wait but the Economy Cannot!"]

[Text] [Dimitrova] Mr. Yosifov, do you own stock in the bank whose president you are?

[Yosifov] Naturally.

[Dimitrova] How many shares did you purchase?

[Yosifov] Three—1,000 leva each. Unfortunately, people employed by the state in the past do not have substantial available funds.

[Dimitrova] How many shares have been purchased by your other stockholders?

[Yosifov] The average figure is about five. Many people have bought one, two, or three—people who have saved some funds and are trying to invest them where the money will not be idling but put to work.

[Dimitrova] How many stockholders do you already have?

[Yosifov] Some 3,000.

[Dimitrova] Who are the biggest?

[Yosifov] Two private companies, each of which has purchased shares worth 100,000 leva. We also have some shareholders who have invested 60,000, 70,000, or 80,000 leva.

[Dimitrova] What do those private companies deal in?

[Yosifov] Mainly the production of consumer goods, complementing computer systems, software, and tourism, from crop growing, mushroom production, and animal husbandry goods to the production of assemblies and parts.

[Dimitrova] There will certainly be some private producers who will not invest their money in your bank. Will they lose something compared with other investments?

[Yosifov] With good work by the bank, the value of the stock will rise. Furthermore, as bank owners, they will have the right to vote at the general stockholders meeting and will control the bank's work.

[Dimitrova] Do other private banks already exist in Bulgaria?

[Yosifov] The description of private bank does not reflect quite accurately the nature of our bank. Our bank is a stock bank, and other such banks exist in Bulgaria. The difference is that, in our case, the owners—that is, the stockholders—are private persons. This means that you, too, could become a stockholder.

[Dimitrova] I already am. However, the moment I purchased my stock I noticed that a share is priced quite high, at 1,000 leva. Why not have less expensive stock?

[Yosifov] This does exist throughout the world, but we have a problem with paper: This is a special type of paper, and the stock certificates are printed by the currency office. In other banks, stock certificates are for 10,000 leva, but in those cases the main stockholders are state enterprises.

[Dimitrova] What percentage of your stockholders are state enterprises?

[Yosifov] The decision was made at the constituent meeting of 28 April last for state and foreign participation not to exceed 20 percent. This will be a guarantee of protecting the interests of private Bulgarian producers. At the present time no more than 12 percent of our stockholders are state enterprises, those with which the Association for Economic Initiative of Citizens has signed contracts for assisting private entrepreneurs, such as Metalsnab, which contributes to providing supplies of various metals and procurements.

[Dimitrova] I assume that your ambition is to become a European bank. What percentage of your funds have you already invested in Europe, and what are you keeping in Bulgaria?

[Yosifov] Alas, for the time being we are only in Bulgaria.

[Dimitrova] What are your main obstacles?

[Yosifov] Especially as far as the existence of the bank is concerned, we have no hindrances. We have the right to work like any normal commercial bank in the world.

However, the taxes, the difficult system of permits for foreign trade, do not allow the development of private companies. Imagine that we granted loans in foreign exchange: Many of the companies would find it difficult to repay unless the Ministry of Foreign Economic Relations has allowed them to engage in foreign trade in order to earn such currency. That is why I believe it is only after private business is given free development will the bank be able to grow along with its customers.

[Dimitrova] To the best of my knowledge, banking involves some 200 different types of activities. On which activities will you concentrate your attention?

[Yosifov] At first we shall begin to work as an investment bank. Gradually we shall develop trading activities and start servicing citizens with leva or foreign currency accounts and act as brokers for companies. We would also like to develop a system of credit cards through which one could withdraw money day or night....

[Dimitrova] When will all of this become reality?

[Yosifov] Gradually. Such activities involve substantial funds both in leva and in foreign exchange. Particularly, the system of credit cards requires a better development of communications facilities in the country. At first we may be servicing exclusively owners of deposits in foreign currency as well as foreign currency stores that would agree to cooperate with us. Naturally, we shall also seek the cooperation of foreign banks and companies and attract foreign investments. In this manner we will help the private companies in the areas of technology and quality so that they may come closer to the level of Western standards.

[Dimitrova] What contacts have you established so far?

[Yosifov] We have held meetings with a large number of banks, but, since some aspects of our legislation are to be changed—something we hope will take place within the shortest possible time—we would not like to mislead our partners. We are a private bank and we cannot afford to borrow from foreign countries funds we cannot repay, which is a situation facing the state bank.

[Dimitrova] Many of your present stockholders are truly interested in whether your bank is sufficiently safe.

[Yosifov] We shall be relying on proper studies and the analysis made by good experts. We have no intention of turning into a cheap bank. The services we shall provide, however, will be on a level that will make them in demand. The Bulgarian people value good services, which will be our competing quality.

[Dimitrova] Will you make use of the experience of world banking?

[Yosifov] All of our specialists will undergo the necessary training. The director in charge of foreign exchange loans attended a one-month course in South Korea on problems of financing small and medium-sized enterprises.

[Dimitrova] What is the size of your regular personnel?

[Yosifov] The center has seven employees. We have no intention of developing a large administrative apparatus. We have already appointed the directors of branches in Tolbukhin, Plovdiv, and Lovech. We shall open branches in other cities in the country, as well, for which we are seeking suitable candidates and not candidates hired for reasons of charity. Anyone who works in this bank must earn his wages.

[Dimitrova] Who will pay you? What will be your salary?

[Yosifov] At the Constituent Assembly meeting, 15,000 leva from funds provided by the Association for Economic Initiative were voted. Until 1 June, however, not one among us received a salary.

[Dimitrova] How did you seek the people who would be working for you?

[Yosifov] These are people who have worked for the Bulgarian National Bank or the Foreign Trade Bank or any other commercial bank. We are interested in bankers who are enterprising and industrious.

[Dimitrova] Where did you, personally, work before this?

[Yosifov] At the Elektronika Commercial Bank.

[Dimitrova] Why did you run away from it?

[Yosifov] I did not run away. Mr. Mollov shared with me last year the idea of opening a private bank. He invited me to participate. I liked the idea and we started....

[Dimitrova] What will be the main criterion in granting loans?

[Yosifov] Inexpensive and high-quality production.

[Dimitrova] Will stockholders enjoy priority?

[Yosifov] All other conditions being equal, owners of stock certificates will be given preference.

[Dimitrova] The editors received a letter from an elderly woman. She has no ambitions as far as private business is concerned but asks whether it makes sense to invest her money in the bank or is this something accessible to private producers only?

[Yosifov] With such galloping inflation, money that earns a 1-percent interest with the State Savings Bank or the money saved for housing or a car, which remains unused, will have, after a while, much lower purchasing power. We shall try, if nothing else, to at least protect the money from the inflationary index—that is, after a while people who have invested this 1,000 leva will be able to buy at least the same products they would be able to buy today for 1,000 leva. This would be the least, unless we are able to achieve our greater ambitions. This makes the answer clear.

[Dimitrova] What if your bank were to fail?

[Yosifov] No one in the business world is insured against bankruptcy. The only thing that could protect us from it is good work. The good work of our bank will be steadily controlled. The bank will report to the general stockholders meeting, and the reports will be published, as is the custom in the West, and every owner will be able to see the development of the bank activities. In the case of worsening, they could vote for a change of policy or of the bank's management. So far no one was able to take such steps, although the banks were actually moving toward bankruptcy.

[Dimitrova] Have you already heard anything about people competing with your bank?

[Yosifov] Unquestionably, competition will exist, and I think that at first it will not be loyal. Our most serious competitor is the National Bank because it has at its disposal the unlimited resources of the state. I hope that with a normally functioning democratic parliament, which will approve budgets and assess the activities of the banking system, that bank will no longer hold the monopoly. Actually, it is the product of the system. It is merely a servicing unit, without its own personality or development incentives. This is an abnormal condition, and such a bank would not be able to function on the basis of orders and instructions issued from above under the conditions of a market-oriented economy. You know the size of funds that are now frozen in various construction and other inefficient projects. No bank that takes into consideration market conditions would allow itself such a state of affairs.

[Dimitrova] Are you convinced that we shall soon leave behind us the abnormal situation in which we find ourselves?

[Yosifov] My confidence comes from several projects that are already ready for implementation: the law on the state bank, the law on banks, the law on deals with foreign securities, and the law on the stock market.

[Dimitrova] However, such laws could be postponed for quite some time, while the Grand National Assembly is dealing with other matters.

[Yosifov] I have repeatedly said that the Bulgarian Constitution could wait somewhat but the economy cannot. Our stores are empty and our plants are grinding to a halt. The first thing we should do is develop commercial and banking legislation and a law on economic activities. This alone would enable us to stand on our own two feet.

Editorial Note: As this interview was being prepared for publication, Mr. Valentin Mollov, chairman of the Association for Economic Initiative of Citizens, reported that the Commission of 24 in Brussels had granted a loan of \$17 million for the development of our agriculture, through First Private Bank.

CZECHOSLOVAKIA

Endless Analyses, Discussion Block Reform, Says Valek

90CH0404A Prague HOSPODARSKE NOVINY
(supplement) in Czech 22 Aug 90 p 3

[Article by Vratislav Valek, doctor of science candidate, Federal Ministry of Finance: "Do We Really Have a Choice?"]

[Text] For several months now, the media has, with greater or lesser competence, discussed the strategy of the radical economic reform, which was adopted by the government of national consensus, and became the basis for drafting the program of a new, freely elected government. If we bypass the unjustified personification of individual currents of opinion and approaches, our current economic situation, and especially the development in international economic relations, must convince us that, in a way, this discussion is a luxury in our present situation, and advocates of the so-called gradual, step by step reform are wordlessly assuming that under current conditions we can determine our own speed and form of introducing market tools and categories. However, the real situation is quite the opposite.

If, during the free elections, the majority of citizens voiced their opinion that the transition to a market economy is a necessary prerequisite for us to rejoin developed countries, then our room for manoeuvring is very limited. From this point of view, it is not really reform, since it is necessary to build a totally new economic system over the ruins of the totalitarian, centrally directed system of managing the national economy.

This is unequivocally confirmed by the opinions of a large number of our and foreign noted economists, who primarily address the questions of a healthy macroeconomic climate, of liberalizing prices, and of the domestic convertibility of the koruna, as well as the questions of privatization and the function of foreign capital during the further development of the Czechoslovak economy.

Restrictions

In respect to the first group of questions, the solution consists in effective macroeconomic restrictive financial and currency policies (limiting state budget expenditures, granting credit only for effectual activities, etc.), about which advocates of gradual reform have misgivings, fearing that they will inhibit economic growth. However, one must emphasize that in this case the simple dependence of the economy's growth rate on the amount of state expenditures does not apply. Due to the shortage of production assets, their overall low utilization and the minimal production efficiency, the only possible consequence of financial support for enterprises is primarily the support of inefficiency. Until there has been a basic change in the behavior of enterprises, so that maximum efficiency in spending financial resources

is guaranteed, financial subsidies will only mean wastage, and not the solution of our economy's main problem, which at this time is the low standard of management in the enterprises.¹

It is not possible to implement comprehensive budgetary policies in countries where the basic attributes of a market economy do not exist: a competitive environment founded on private ownership, a well-developed network of competitive banks, capital market institutions, etc.

The demonopolization of our economy, its reconstruction, and effective integration into the international division of labor are closely linked to this group of problems. The advocates of slow, step by step reform emphasize the necessity of resolving these questions, however, they do not give any specifics on how to do this. Textbooks, written by specialists on economic theory and, above all, the practical policies of states with market economies during the past decades unequivocally confirm that the mere existence of true market price rates, interest, and other tools, together with currency convertibility and liberalization of imports are the most reliable antimonopolistic measures, as well as of truly rational structural policies. The economy can only be managed successfully through the creation of certain game rules (financial, legal, and tax).²

It is obvious that no central, administrative intervention into the monopoly and structure of production can bring success, which is rather sadly documented for us by the "results" of the so-called developmental and cutback programs in the past. And the attempt to attain an optimal economic structure over several years by manipulating prices and other tools through directives according to the decision of some "enlightened center" must, in the light of the results of the Set of Measures, Comprehensive Experiment, and other concepts from the 1970's and 1980's be considered as the cry of a thirsty person in the desert. Whether people like it or not, the structure of production and consumption, including the combination of production factors, is primarily a problem of the microsphere (enterprise) and the central institution can only use indirect tools.

The domestic convertibility of the koruna, and thus the liberalization of import, play an irreplaceable role in creating a competitive environment. However, at the same time, the Kcs must be devalued to a level that, in principle, is maintainable through the effect of market forces and not through the administration. Unless an enterprise is able to be profitable in a proexport system, established through devaluation, it apparently has no economic future.³

Privatization

The problem of denationalization and subsequent privatization in the Czechoslovak economy has become a propitious topic for discussion during the past few weeks. Even though there is relative agreement on the

fact that clarification and resolution of ownership relations is a necessary precondition to achieve a market economy and its efficient functioning, there are nevertheless a number of misunderstandings in this area that sometimes even turns into demagogic argumentation. There is no doubt that denationalization and subsequent privatization must be realized as quickly as possible, but it is in this particular sphere that useless debate, unjustified fears, and even special interests, bear their largest detrimental fruits. Yet experienced foreign experts in theory and practice, as well as a number of our economists unequivocally emphasize the importance of this process.

Yet in our current situation (total shortage of liquidity) we cannot manage with traditional privatization processes. As preliminary analyses demonstrate, privatization would take several hundred years and would not bring the expected results. Yet denationalization only makes sense if it is immediately followed by privatization. From this point of view, the opinion of the Hungarian economist, Tomas Bauer,⁴ is interesting: "In order for a market economy to work, the owner who operates with the capital and has an interest in its long-term development must be precisely defined. He is the owner of the profits and is liable for possible losses. How can one arrange for a capital market to function if officials will be operating with state assets?" In his opinion, it is necessary to privatize about 70 percent of the industrial enterprises within three, or at most five, years.

In this context, the influx of foreign capital, particularly in the form of direct investments, is of major importance. It is in this connection that we often find the argument about the danger of our economy being swallowed up by foreign capital, about our national economy being sold out, about the loss of sovereignty, etc. This fear is exaggerated, and in some cases artificially created. Yet no responsible economist today can imagine the further development of our economy without the corresponding foreign resources. Foreign capital brings with it not only modern technology, but modern management, business, and enterprise experiences, often the partner's sales network, etc.

Yet what is not mentioned, is that direct foreign investments will not only save enterprises and jobs, but, in addition, will enrich the market with high-quality products and contribute to the state budget through taxes. It is true that some of the profits may slip out of the country, but without foreign capital, in many cases, there would be no profit in the first place. J. Slama⁵ adds: "I have the—unfortunately justified—feeling that you have some aversion to foreign capital. You are confusing economic and nationalistic points of view. Your fears of the infiltration of foreign capital are unwarranted if you inhibit its effect. After all, a share by foreign enterprises is a necessary part of integrating the Czechoslovak economy into the world economy. In addition to that, the government does not, and cannot influence foreign capital, which is a significant advantage even in the

West. Somewhere in your country the slogan appeared, that national assets should not be sold, and you are desperately clinging to it. Let us face it, no one is going to take off with a palace he is renting in Prague. Foreign capital is the only thing that can provide the necessary help that Czechoslovakia needs to catch up with the rest of the world."

When characterizing the strategy of radical economic reform in general, the advocates for slow changes often use the term "shock therapy." Yet only specific elements are taken out of context here, and no account is taken of the fact that the radical reform strategy emphasizes the necessity for social policies, even if they will, logically, be differentiated according to the economic status of the entity. Furthermore, the flexibility and adaptability of the economy, and the willingness of the vast majority of the nation to limit consumption for a certain period for the benefit of future development is underestimated.

Unemployment

Similarly to foreign capital, another favorite target of demagoguery is the possibility that there will be high unemployment. J. Kotrba convincingly refutes these attitudes when he says:⁶ "A healthily functioning economy not only permits a certain amount of unemployment, in fact it cannot do without it. Because an economy cannot survive without the constant movement of money and people between branches, territories, enterprises, and professions. (During the last forty years we found out what happens to an economy that relinquishes such movement).... There is only a real danger when the rate of unemployment exceeds a sustainable limit (more than 10 percent in the long term; the economy can sustain an even higher percentage in the short term), if the state cannot ensure support and retraining programs, or if unemployment focuses on specific social groups—for instance, school graduates."

Again we return to the fact that subsidies to inefficient enterprises with no prospects solve nothing. They merely delay the solution of social problems, with all the negative consequences for the future. It is true that one cannot choose only the good from each path to reform. If one is to be responsible, one can only realize one strategy, including its unpopular features.

Discussion

Another favorite topic of critics of the radical reform program is to point out the necessity to analyse and calculate the consequences of the proposed measures and, in this connection, the need for a nationwide debate about them. Anyone who has even superficially followed economic research and debates during the past years, must be aware of a large number of analyses, research projects, expert opinions, etc., on all the decisive elements of our national economy. This, in itself, makes the above-mentioned argument undoubtedly questionable.

However, a more important counterargument is the fact that it is very difficult to compile such analyses on the

basis of the present distorted prices, rates, etc., analyses that will be able to supply reliable information for the next few years during the transition to market criteria. Because, with clever manipulation of present data, it is sometimes possible to substantiate even diametrically opposed projects. It is also very difficult to imagine a situation, where analyses of the effect of market categories, which will only be created in a market environment, are made based on current prices, rates, etc. This in no way questions the need and significance of analyses when realizing the strategies of radical reform. It is merely that the argument about analyses, about self-serving and noncommittal, hypothetical, modeling calculations, does not become a pretext to question the concept of the approach to a market economy.

In connection with this, there is also the much-debated question of some kind of nationwide referendum on economic measures. When answering a question as to whether one should or should not organize such a referendum, J. Jonas⁷ logically came to the conclusion that "basically, a referendum is only possible in relation to those problems that can simply be answered with a 'yes' or a 'no.' The present process of privatization and creation of economic policies, due to its nature, is not such a case.... We cannot expect a citizen, who is not an expert on economics, to anticipate all the possible consequences of individual alternatives."

At this time, it is necessary to turn away from unfruitful and incompetent debates and move toward the quick realization of the already approved radical economic reform strategy.

I believe that we should not dismiss the opinion of the British Minister of Commerce and Industry too lightly. After signing an intergovernmental agreement on aid and protection of investments between the CSFR and Great Britain, he was posed the question: What is the greatest obstacle to the influx of British investments into the CSFR? He answered: "Difficulties with the convertibility of Czechoslovak currency, the current price structure, and the still very small size of the private sector." I am sure this opinion needs no comment. To the contrary, it is further evidence in a large volume of evidence that the approved concept of radical reform must be realized quickly, whereby, naturally, a number of specific measures will still have to be worked out in more detail and with more specifics.

Footnotes

1. Z. Pojsl, M. Maly: "What Will Make the Reform Successful?" *HOSPODARSKE NOVINY*, No. 27, 1990.
2. R. Selucky: "It Really Cannot Be Done Slowly," *SVOBODNE SLOVO*, 5 July 1990.
3. K. Dyla, Charap: "Support for the Stiff Reform Rate," *LIDOVE NOVINY*, 28 June 1990.
4. T. Bauer: "Hesitation Can Be Disastrous for You," *LIDOVE NOVINY*, 29 June 1990.

5. J. Slama: "Nothing Can Be Done Alone," LIDOVE NOVINY, 5 June 1990.

6. J. Kotrba: "Should We Be Afraid of Unemployment?" LIDOVE NOVINY, 28 June 1990.

7. J. Jonas: "The Minister Is Not a Criminal," SVOBODNE SLOVO, 29 June 1990.

Klaus Explains Major Points of Tax Reform

90CH0409A Prague OBCANSKY DENIK in Czech
31 Aug 90 p 1

[Article by Vaclav Klaus: "We All Want the Lowest Possible Taxes"]

[Text] More than 200 years ago, Adam Smith declared that the desire, always to want more, is the one constant of human behavior. Therefore it is only natural the we, today, want the lowest possible taxes, and that we are impatiently awaiting the details of the recently announced tax reforms. We believe that the basis of this reform will be a decrease in taxes.

I must say that this will not be quite so simple, even if the proposed tax reform assumes the fact that during the next two to three years there will be a substantial decrease in the state's intervention in the economy, and due to this, there will also be a decrease in the state budget's share (and that of public budgets on all levels) of the national income. This will also mean a decrease in the so-called tax quota to a level customary in some more socially oriented West European countries.

However, the main purpose of the tax reform is different. Our tax system is not socially just, it is not economically rational, it has many loopholes and evasion channels, its concept is obsolete, as are its tax rates (which have been in force for decades, and reflect an entirely different level of commercial figures), and therefore it must be rebuilt, starting with the foundations. This will take till 1 January 1993. Meanwhile, there will be (and already have been) a large number of amendments within the framework of the existing tax system: In 1990 the citizens' income tax and various local taxes will be changed, we will realize the next stage in unifying sales tax rates and, as far as possible, we will consolidate enterprises' tax and dues rates, which will come into force for 1991.

Taxes are not an end in themselves; taxes create resources for the state (and other levels of the hierarchy of state or public administration) to finance state expenditures. If we can decrease these expenditures, we can decrease the amount of taxation; if we cannot do this, we must maintain the present level of the tax burden if we want to avoid a deficit state budget. And this brings us to the basic dilemma: Everyone (for himself) wants lower taxes, but no one (for himself) wants lower budgetary expenditures—for culture and education, for the health service, for health and pension security, to support some specific product, region, or some social, national, or

generational group of citizens. Therefore, let us clearly admit that a lot of things will have to be funded from the common treasury, and the state must create the necessary financial resources to do this. Since our country has no reserves, it has three choices:

- to tax the citizens (and enterprises) through a rationally structured tax system;
- to borrow from the citizens by issuing and selling government securities (if the citizens will want to buy them), and thus create a national debt;
- to create inflation through excessive issuing of money, and thus collect a so-called inflation tax from the citizens (which has the great "advantage" for the state that it does not have to be approved by parliament).

The first method is fair and democratic, because it is controlled by freely elected agencies, which stipulate through laws what proportion of their incomes citizens and enterprises must pay to fund common expenditures. The second is, admittedly, based on the voluntary purchase of government securities, but it means transferring the debt to the future generation, and therefore it should only be a minor supplement to the first method. The third method is least desirable, and we will not consider it.

These considerations are based on the fact that, at this time, we are not truly prepared radically to change the share of what we ourselves pay to, and what we "get" from, the state.

We are not willing to pay the real costs of a number of cultural actions, to pay for the health service or education, totally to transfer pension security to personal insurance, etc., but we are willing to demand lower taxes or tax rebates.

From the point of view of social justice, what is most objectionable is the fact that effective pressures to alleviate tax burdens cannot be developed by nonorganized, and therefore weak, citizens' groups (consumers, pensioners), but only by well-organized groups (to make matters worse, groups closely linked to the past and to past prerogatives), which are not seeking benefits for everyone, but only for themselves, for their members, and—how could it be otherwise?—benefits at someone else's expense. It is important for parliament to consider these matters carefully, so that it will not become (possibly involuntarily) the spokesman for these biased interests, that it will stand above these interests, and will truly do this in the interest of us all.

Reprivatization Law To Return Small Properties to Owners

90CH0400D Prague HOSPODARSKE NOVINY
in Czech 22 Aug 90 p 3

[Article by RU: "Draft of Reprivatization Law Prepared: Former Owners Have a Chance"]

[Text] In record time, practically within 13 days of being set the task, the Czechoslovak Ministry for Administration of National Property and its Privatization submitted a draft of the principles for implementing re-

privatization. The aim is to speed up the transfer of immovable assets confiscated from the original owners during the period 1955-61. These individuals will be able to claim their legal rights within a specific time period; at this time, it has been proposed that this should be six months from the date of approval of the relevant law by the Federal Assembly.

The draft of the law concerns assets transferred to state ownership according to Government Statute No. 15/1959 Sb. [Collection of CSSR Laws], according to Law No. 71/1959 Sb., and assets nationalized between 1955 and 1961. It concerns approximately 70,000 immovable assets, including small village inns, shops, restaurants, hotels, apartment houses with business offices, workshops, machine mills, sawmills, etc. In some cases—approximately 10,000 items—compensation was paid to the original owners in 1964. Naturally at the going price at that time.

As we discovered at yesterday's press conference, further legal ownership claims by physical persons, e.g., from the period 1945-48, the property of emigrants, and the problems of so-called forced donations to the state, will be resolved through additional regulations drawn up by the general body of prosecutors.

According to the principles of the proposed law, the immovable assets will be transferred on the basis of a written contract, which the original owner or an entitled person must conclude with the organization that now owns the item or has the right to operate with it. The transfer will be exempt from notary fees, and the entitled person will have to prove his claim. He will also have to return any compensation that was paid. In the case of immovable assets that are no longer used for their original purpose (e.g., an inn that has been turned into a house of culture), compensation will be provided. There will be no compensation for movable assets, with the exception of those that are an integral part of the immovable assets (e.g., the equipment in a mill).

In answer to questions about the fairness of such a settlement without payment, Minister Tomas Jezek stated that the proposed transfers must be considered as a moral act that is to prepare the groundwork for further privatization. The process of reprivatization must precede privatization of national assets, and the primary task is to carry it out as quickly as possible. That is why transfers without payment have been suggested. Establishing individual claims would be very complicated, and, above all, would take a long time.

Convertibility Needed To Cure Currency, States Dyba

*90CH0404B Prague HOSPODARSKE NOVINY
in Czech 22 Aug 90 pp 1, 4*

[Article by Eng. Karel Dyba, doctor of science candidate, and Dr. Joshua Charap: "Convertibility: A Step Toward Curing the Crown"]

[Text] The existence of several rates for the Czechoslovak crown is considered by the authors, Eng. Karel

Dyba, doctor of science candidate, minister for economic policy and the development of the Czech Republic, and Dr. Joshua Charap, the minister's assistant, to be the basic obstacle to an effective reintegration of Czechoslovakia into the world economy. According to them, this situation can only be resolved by quickly introducing the convertibility of the Czechoslovak currency as an integral part of true economic reform.

Any hesitation in this direction will only mean a continuation of the long history of wasted opportunities and squandered resources. Only a convertible currency with a stable rate will enable all Czechoslovak participants in economic life to take an effective part in the world economy.

Currently there are at least four different rates for Czechoslovak currency vs. convertible currencies: the rate for commercial and noncommercial payments, the "tourist" rate, the black market rate, and the auction rate. In addition, the existence of price surcharges and discounts further change the actual rate of the crown for various entities in the economy. The rate for commercial and noncommercial payments is derived from the principle "the average domestic costs expended to attain a unit of foreign currency."

The tourist rate is derived from the rate of a Czechoslovak crown in foreign banks, especially in Vienna. The rate of the crown, e.g., in Vienna, is a market rate, i.e., it equalizes the demand for foreign currency with the supply on the unofficial foreign exchange market, which is open for residents. Citizens demand foreign currency, primarily because they wish to buy goods abroad, especially electronics, etc., to acquire foreign assets (holding foreign currencies as a hedge against devaluation), and to finance tourism abroad.

The auction market rate, for which enterprises currently purchase and sell foreign currency, also provide distorted information on the forces determining the possible market rate, because only a small portion of foreign currency is allocated through auctions. The price of foreign currency at auctions is high because the supply is relatively small. Possible expansion of the supply of foreign currency on this market, so that the foreign currency would be fully allocated through auctions, would be the same as introducing a convertible crown.

Loss Allocation

It is obvious that the present level of the commercial and noncommercial payments rate and of the rate obtained at auctions represent the lowest and highest limits of a maintainable rate of the convertible Czechoslovak currency. The price of foreign currency at auctions has dropped sharply since they opened, and this implies that a fully market-determined rate of the Czechoslovak currency is probably substantially lower than the rate obtained even at the most recent auctions.

The present system leads to a substantial loss allocation of resources, because it does not permit an economically rational calculation. One of the adverse effects of a basically "administratively" fixed rate for commercial and noncommercial payments is the impossibility of revealing the country's true competitiveness on the world markets due to hidden real prices. For instance, as a result of the nonmarket determined rate, enterprises can buy intermediate products (e.g., machine parts) for "cheap" foreign currency. This artificially lowers the costs for production of the given machine and can lead to a situation where the dollar price of inputs exceeds the price of the final product. The enterprise may show a profit in domestic currency, but the national economy clearly has a loss. Such a practice, which exists in this country, is not merely the selling of national assets, it means giving it away for free to foreign countries.

An incorrectly (nonmarket) fixed rate also implies hidden subsidization and taxation. The allocation of foreign currency through the "official apparatus" implies a tax on exported products in an amount equal to the difference between the rate for commercial and noncommercial payments and the rate that would exist on a free foreign exchange market. For example, if a Czechoslovak exporter makes a profit of one U.S. dollar on his export, and he then "sells" it to the bank for approximately Kcs17, while the hypothetically free market rate is, e.g., Kcs25 per dollar, the exporter is, in fact, paying a hidden tax of Kcs8. Obviously this overvaluation of the crown vs. its market rate destimulates the export activities of Czechoslovak enterprises and leads to a distorted allocation of resources in the economy.

A mirror image of the hidden taxation on exports is the hidden subsidizing of imports. Every dollar that an enterprise buys from the State Bank for Kcs17 Kcs has a hidden subsidy of Kcs8. These subsidies and this taxation are two of the foundation pillars of an administrative economy ("planned economy"), in which real economic resources are allocated primarily according to established "priorities." This system is essentially more harmful than a system of direct, open subsidies, because the subsidies are hidden in the mechanism of allocating foreign currency instead of being transparently allocated through the state budget (if they have to exist at all).

Why Are There Apprehensions?

It is not possible to support the creation and growth of the private sector unless it has access to foreign currency at a normal price, and not at an unnecessarily inflationary price on a limited auction market, a price that is also created because of the hidden financing of inefficient state enterprises through a nonmarket determined rate for commercial and noncommercial payments.

There are some apprehensions that even if the State Bank were to offer Czechoslovak citizens foreign currency at a price equal to the market rate, the demand

accumulated from the past will lead to a quick exhaustion of the bank's foreign currency reserves. Let us remember that Czechoslovak citizens can already freely obtain foreign currencies by buying them on the black market, or in some foreign banks in exchange for "smuggled" crowns. We believe that removing the existing administrative barriers to Czechoslovak citizens' access to foreign currency within the framework of a "package" of reform measures will not have a significant effect on the demand for foreign currency. Even if the annual citizens' demand to finance purely tourist needs (in other words, not to purchase goods abroad, because, as a result of the reform, this will be done on the Czechoslovak market) amounted to about Kcs1.5 billion per year, which is probably an exaggerated figure, a market economy that is truly being reformed should be able to satisfy even this high level of citizens' demand for foreign currency.

Experts' Errors

In this connection, perhaps we can learn something from Poland's experiences.

Before Poland devalued the zloty and introduced convertibility at the beginning of January this year, some economists predicted an enormous demand for dollars, if they were freely available for zloty at the State Bank. However, already at that time, dollars were, in fact, available to every Pole who wanted to buy them on the black market. But it is characteristic that, following the reform measures at the beginning of 1990, the Poles sold more dollars to the bank than they bought from it. The rate of the zloty on the so-called parallel foreign exchange market (primarily for transactions on the capital account of the balance of payments, e.g., the purchase of foreign currency by Polish citizens as a hedge against the devaluation of the zloty in connection with inflation) thus has not essentially differed from the official rate primarily for transactions on the current account of the balance of payments, to which a convertibility system applies, similar to the proposed system of domestic convertibility of the Czechoslovak crown as of January 1991, since the reform program went into operation.

During the current debate on convertibility, various arguments keep being repeated against introducing it quickly, because it is necessarily linked with the "devaluation" of the crown in respect to its present official rate for commercial and noncommercial payments. Devaluation will bring this rate closer to (if not unify it with) the tourist rate of the crown. In connection with the low foreign buying power of Czechoslovak currency as it is reflected by the tourist rate, one often hears the statement that Czechoslovak national assets are being sold out, and after devaluation they will be sold out even more. This statement is incorrect because it assumes that the "correct" rate of the crown should be fixed on the basis of the so-called purchasing power parity, however it may be calculated.

Such argumentation covertly assumes that Czechoslovak goods and services that are fully subjected to foreign commercial currency are comparable with foreign products and services and can instantly be obtained for the given price. However, services, such as municipal public transport, cannot be traded across borders (moreover, transport services in Czechoslovakia are heavily subsidized through open and hidden subsidies). The Favorit or the Volkswagen can be traded across the border, but there is a difference in quality between them (which the consumer notices clearly) and, similarly, in Czechoslovakia it is impossible to buy a freezer immediately for the officially fixed price, while one can do so in developed countries. If Czechoslovak goods and services were fully tradeable, internationally comparable, and always available for the given price, then the market rate of the crown would move closer to the commercial parity rate, and the arguments about selling out the national economy would hardly crop up in the debates.

Substantial Benefits

One must realize that only the liberalization of economic activity (economic reform), including the introduction of convertibility of the Czechoslovak currency, can create the prerequisites for resolving these problems. Only this can gradually lead to a real increase in the productivity of our economy and thus to an upward revaluation of the Czechoslovak currency, which will not be "decreed," but will be obtained naturally on the world market.

Convertibility of the currency would also make Czechoslovakia much more attractive to foreign investors, whom we urgently need. Foreign investments must always be mutually beneficial. It is clear that foreign investors come here to make money, but the foreign investment stays on our territory, brings managerial knowhow with it, and the entry into Western export markets, etc., which are important benefits. But the key to a true influx of foreign investments into the Czechoslovak economy is a reliable economic policy, including unambiguous and clear rules for the repatriation of profits. This all means a quick introduction of convertible currency.

It will not be possible to maintain the convertibility of the crown unless the economic reform simultaneously creates free markets with a corresponding price reaction to the movement of supply and demand in the economy. Otherwise, the excess demand over supply, at fixed prices, will spill over into the demand for foreign currency, because its buying power is not limited in any way. This would lead to further subsequent devaluation of the crown and would, in turn, foster inflationary trends in the economy.

Quickly and Consistently

That is why, in order to maintain a stable rate of convertible currency, it is necessary to implement a tight control over credit and the supply of money, and to

stimulate the market-oriented relation on the supply side of the economy only within this framework.

A halfhearted introduction of convertibility would merely lead to prolonging destabilizing trends. If, to illustrate the point, we again use the terminology of hidden taxes and subsidies, then the gradual approach would, for example, lead to substantial demands for subsidies and evasion of taxes. Export invoices would be undervalued and import ones would be overvalued in order to maintain foreign currency on foreign accounts (even if this were prohibited), and the volume of commercial transactions through official channels would thus decrease. Commercial entities would try to decrease the repatriation of foreign currency obtained through exports through official channels and this would unmistakably lead to an increase in the shortage of foreign currency and ultimately contribute to the destabilization of the rate. These phenomena can be observed in a number of developing countries, which have a system with several rates for the national currency.

Convertible currency is also the only thing capable of eliminating the services of illegal financial middlemen (foreign exchange dealers), because it eliminates the economic incentive for their function outside the banking system.

Convertible currency is a necessary and thoroughly reviewed step in establishing the economy on healthy foundations. Without a convertible Czechoslovak currency we will suffer as a consequence of the inefficiency, constantly produced by bureaucratic factors in the management of the economy and in foreign trade. Czechoslovakia must quickly and decisively adopt a system with convertible currency if the Czechoslovak course of reform is to be truly reliable and restore health to the economy.

Wrong Approach of Auto Industry Criticized

90CH0400E Prague HOSPODARSKE NOVINY
(supplement) in Czech 22 Aug 90 p 12

[Article by Otakar Zekl, including commentary by editor Petr Ehrlich: "Yes to Motorism, but Is This the Right Way?"]

[Text] Not long ago, it was whispered that socialism is a system that daringly solves problems that would never arise in any other system. The alternatives in the development of our automobile industry conjure up a similar kind of daring in my mind. The problems solved by these alternatives have arisen only because the ministry strategists chose to produce a type of automobile—the most common type of midsize compact family car—that causes such problems, and they would not arise if one aimed for a conceptually different automobile.

All the alternatives concentrate on the size of an economic series of 350-400 thousand cars per year and Kcs50 billion of unavoidable investments that are highly foreign currency intensive. I keep wondering why we

insist on forcing our way into the most overcrowded category, where the need to be competitive requires that we produce twice as many cars as our industry is set up for. Why, on an ever more demanding market, are we trying to assert ourselves with a second-rate car from the fifth and sixth decade, among a mass of makes and alternatives that are enough to make your head spin.

Let us admit that amid the gracefully curved and ecologically ever cleaner competitors, even the thoroughly pampered Favorit seems like an angular, none-too-clean country bumpkin, which a family living west of As is unlikely to allow outdoors other than as a second car. So why not aim to make the Skoda car the second family car?

Did anyone consider the alternative of developing our automobile industry, on the basis of producing this type of car? Did anyone compare how small the economic series could be, what price per kg could be attained, how much more timeless the shape of the car body could become without being less attractive, to what extent accessories would provide added incentives for the producers, how much more room it would provide for the creation of smaller private companies, to what extent it would enhance the creative potential of Czech technicians and workers, all of this, of course, with approximately the same demands on raw materials and energy?

I do not believe that such a Skoda car should merely be a glorified large grocery bag for our housewives. On the contrary, it should grow into a multilateral vehicle for leisure time and fun, into a mobile multifunctional area for weekends and vacations, into a prospective special item for the coming leisure-time civilization.

Moving from point A to point B with an assortment of suitcases will become increasingly less important; we will want to make ourselves some coffee on the way, stretch our legs, take a snack and a drink, maybe even take a nap during the day, we will want to sleep comfortably at night, and, if necessary, get to work smoothly, and invite a few new friends for a beer when it rains, or a couple may simply enjoy a favorite video—all of this in the comfort of the car. The Nissan Prairie, Mitsubishi Space Wagon, Renault Espace took a similar direction years ago, and the Chrysler company contributed to the family of roomy vehicles with its Voyager. So why not have a Skoda Vacation, or Leisure?

Editor's Comment

Although the author suggests an interesting solution—the production of roomy passenger cars, including names, in our country—I have several objections to the article. One must bear in mind that Czechoslovakia is still not a fully developed motorized country, a fact demonstrated by the average age—over 12 years—of the cars on our roads, and by the fact that passenger cars are taken off the roads after more than twenty years. Even the per capita number of passenger cars cannot be compared with developed European countries. That is why I believe the chosen concept of the lower end

compact category, to which the Skoda Favorit belongs, was the best path to follow when development and production started in Mlada Boleslav (1987). Apart from this, I believe that this step is correct even today, when an increase in production to an “economic” 400 thousand cars per year is being considered, this time supported by future cooperation with some well-known European automobile factories.

In respect to the Favorit becoming the second family car in a number of developed European countries, this is a status the new Skoda car truly deserves, but one must bear in mind that, considering the development of motorization in these countries, second family cars include smaller and cheaper cars than the Favorit on the one hand, and larger, more expensive cars, including all-terrain vehicles and the above-mentioned cars with large interiors, on the other. Examples of the smaller and cheaper cars (on the FRG market) are the Daihatsu Cuore for DM10,990, the Fiat 126 BIS for DM9,090, the Seat Marbella for DM9,545, and the Suzuki Alto GL for DM11,290 (the Skoda Favorit costs DM11,690 to DM13,990 depending on the type).

At the opposite end one could mention the all-terrain vehicles Nissan Terrano for almost DM40,000, and Range Rover for up to DM93,000. The cars with large interiors mentioned by the author, which can also be categorized as second family cars, as well as others, cost as follows in the FRG: Nissan Prairie base price DM29,995, Mitsubishi Space Wagon base price DM27,280, Renault Espace base price DM36,150, and Chrysler Voyager base price DM32,900. If one includes various customized accessories, these vehicles can cost up to 50 percent more. Apart from this, these vehicles are top-of-the-line products—both from the technological point of view, and in price—of automobile factories that produce hundreds of thousands to over a million cars per year; a small automobile factory specializing exclusively in the production of cars with large interiors does not exist anywhere in the world. That is why I tend to support the Favorit, that is to say, its successors of a similar size.

HUNGARY

Minister Kadar on Economic Outlook

Sonnenfeld Doctrine Rejected

91CH0027A Budapest MAGYARORSZAG
in Hungarian No 37, 14 Sep 90 pp 18-19

[Interview with Minister of International Economic Relations Bela Kadar by Andras Kanyo in Linz, Austria, date not given: “Good and Bad News; External Economic Plans, Opportunities”—first paragraph is MAGYARORSZAG introduction]

[Text] Last week the head of the Ministry of International Economic Relations took part in two meetings whose main topic was the development of East-West

economic relations and the encouragement of joint ventures. One of these meetings was organized by the UN Economic Committee near Munich, the other was held in Linz and sponsored by the Salt Lake City-based Wayne Brown Institute, and by the Upper Austrian territorial government and Chamber of Industry and Commerce.

Old Legacy

[Kanyo] Mr. Minister, before asking questions about your findings at these meetings, I would like to inquire about the situation of, and opportunities available to, the Hungarian external economy.

[Kadar] It would be difficult to present an objective picture of our international economic relations without mentioning the causes and antecedents of the situation. We carry a heavy legacy, and the burden must be carried a while longer. Some of the burden exerts long-term effects. These include the obsolete production capacity, the infrastructure, the distorted structures of production, foreign trade and consumption, the internal indebtedness, the foreign indebtedness, as well as the fact that Hungary was torn out of the international division of labor because of a rather one-sided dependence. And one must not forget the fact that rising oil prices present a new burden on the balance of payments.

There also exist factors which exert a short-term influence. From among these I would mention above all the inflation, the recession, and the shrinking trade with our Eastern partners. All of these factors present medium-term limitations upon the sphere of action in which economic policy may exert an influence. So far the bad news—a failure to mention these would be inappropriate. As long as we enumerate these, however, we should also mention the positive phenomena. We may include here the fact that we succeeded in maintaining the growth of our exports to the West, in the course of seven months our exports expanded by 16 percent. Our foreign tourism revenues also increased, and these factors jointly exerted a beneficial influence on the balance of payments.

[Kanyo] In your presentation at Linz you said that confidence in the new government is on the increase. Is it possible to measure confidence?

[Kadar] Insofar as the populace is concerned, the growing number of small entrepreneurs and the amount of foreign exchange deposits serve as measures of confidence. Incidentally, the latter also includes foreign exchange deposits made by foreigners at the Hungarian National Bank. I could also mention that large Western firms in the process of negotiating significant investments—including General Motors, General Electric, Ford, and Suzuki—have just crossed the threshold where lack of confidence ends.

New Strategy

[Kanyo] But these negotiations had their beginnings years ago.

[Kadar] That is true, but the firms I just mentioned would continue negotiating for a while if they had no confidence in the new government. And one should not disregard the fact that these constitute investments in the production sphere, they provide jobs and produce modern products of a higher value.

[Kanyo] What is your strategy, or the strategy of your ministry?

[Kadar] We must increase our sales in foreign markets because the consumption capacity of the domestic market will not increase in the next one or two years. It will shrink instead. One of the most important conditions for dynamic economic growth is the expansion of exports, to create markets for Hungarian products. To accomplish this, however, it is indispensable that we take part in the international division of labor with more competitive products than we had before, and with more favorable conditions for entering the market.

[Kanyo] Is there no contradiction in what you just said? We continue to limit the volume of trade with our Eastern partners while we are unable to sell the goods delivered to them previously, on Western markets.

[Kadar] Undoubtedly we are unable to sell in the Western markets everything we delivered previously to the East. This applies in particular to certain machine industry products. One must take into consideration the negative effects of this fact. On the other hand, this situation forces us to modernize, a matter we failed to do during the 40 years of CEMA existence, because the cooperative form that evolved with the member countries did not provide us an incentive to do so. We must make up for this lag step by step. Conditions must be established for the attraction of foreign capital, for the introduction of developed technologies, modern organization and management. The results of the Munich and Linz conferences indicate that our foreign partners expect from us measures and laws enacted by the parliament which provide a framework for cooperation, and not primarily political declarations.

Reduced Price Supports

[Kanyo] The shrinking Eastern market produces more disadvantages than advantages for the time being.

[Kadar] In 1990 our CEMA exports declined by 29 percent, and our imports were reduced by 20 percent. Next year, the settlement of accounts in dollars will result in a further 15-to-30-percent reduction in trade. This may deteriorate our balance of payments by an additional \$1 billion or \$2 billion, even if oil prices do not increase significantly. It may reduce our exports, and this in turn may produce production, employment and regional tensions.

[Kanyo] One may conclude on the basis of what you said that difficulties will not decrease for the time being, and that the populace will feel this in terms of individual household budgets.

[Kadar] I should preface my response by saying that a fiscal economic policy, a system of state subsidies would serve only to disturb our ability to compete. Accordingly, a change must be made. To be accurate I should state that at present, state budget subsidies amount to 12 percent of our national income. These subsidies must be reduced by three percent in 1991, and by two percent each year in 1992 and 1993. By 1993 the rate of state subsidies must not exceed four to five percent, and this rate comes close to the average rate of subsidies provided in West Europe.

[Kanyo] What fields may be affected by declining price supports in 1991?

[Kadar] I do not intend to avoid answering this question, but before answering, I would like to note that discontinuing state subsidies requires the implementation of an entire system of measures. For example: price level policies must improve the competitiveness of exporters in foreign markets, at the same time, however, changing price levels exert an effect on domestic prices. Answering your specific question: reduced state subsidies will affect housing rental fees and public utility costs, and will definitely have an effect on mining and agriculture in the production sphere. Reduction of state budgetary subsidies represents a condition for survival on the one hand, it improves the chances of tolerating the consequences flowing from Eastern trade and from the Iraq crisis. On the other hand it also represents an international obligation. It constitutes the proof, the guarantee that Hungary has "changed its model."

These measures will also produce beneficial effects. The supply of goods will improve, the competitive environment will gain strength, and if exports expand according to our plans, they will also have an invigorating effect.

[Kanyo] Let us return to the new experiences you gained at the conference.

[Kadar] I could sense at this conference that we were once again able to convince our Western partners of the fact that our economy is more prepared to enter the market than the economies of our neighbors. This is due to the several years of ongoing reform processes in Hungary and to the policies of the new government. Our external economic performance is good, at the same time Hungary's legal institutional system is more highly developed, and the conduct manifested by people involved in the economy reflects an adaptation to new developmental trends. For this reason Hungary is the number one target for all foreign investors.

There Will Be No "Small CEMA"

[Kanyo] To what extent should we believe information according to which some Westerners would welcome the resurrection of a "small CEMA"? What supports this view?

[Kadar] Endeavors in this direction exist indeed. It seems that the Sonnenfeld doctrine is in the process of being resurrected. This doctrine holds that in order to ensure undisturbed cooperation between the two world powers, the disturbing effects of multitude should be eliminated, and thereby the threats produced by Soviet destabilization should be slowed down. And then, it is certainly more easy to negotiate with a uncentered East Europe than with many small partners. We must engage ourselves in a struggle with these Western advocates of "one fold and one shepherd."

Some fear that the rapid integration of East European countries with the Western market will divert the processes, and that Germany and Italy will benefit most from these processes, leaving Great Britain and France behind.

[Kanyo] And which countries would be members of the "small CEMA"?

[Kadar] Poland, Hungary, and Czechoslovakia, with a common payment union and a common market. But the financial conditions for such an association are lacking, different production structures, cultures, and price ratios would have to be wedded, and this is inconceivable as of today. Not to mention the fact that these three countries could not constitute a balance with respect to anyone. This idea cannot be realized, accordingly we must not chase rainbows. At the same time I would like to underscore the fact that we would like to continue to cooperate with these countries, a new kind of closer cooperation can be established with Czechoslovakia already in the short term.

[Kanyo] You are familiar with the plans of the government, not only of your ministry. What do you expect to see in the near future?

[Kadar] I would much rather stick to my own field, nevertheless I will venture to make one general remark. I would like to caution people about the fact that for the time being our difficulties will only increase. An improvement may be expected only as a result of efforts made by all actors in the economy, including the government, the enterprises, and the populace, and only in 1993, at the earliest.

Insofar as my specialty is concerned, I believe that if the external economic program is implemented consistently, one may expect to see the conditions for an economic upswing by the second half of 1992. These will manifest themselves at first moderately, then forcefully once we reached the midpoint of the decade. And all this after we averted the threat of a collapsing Eastern trade and after we experienced the unfavorable developments of 1991.

Utah-Sponsored Linz Meeting

91CH0027B Budapest MAGYARORSZAG
in Hungarian No 37, 14 Sep 90 p 18

[Unattributed article: "Let's Go East!"]

[Text] The title "Let's Go East!" was not invented by this journalist. It is the borrowed catchword of an East-West economic conference. Some 200 financial and economic experts and entrepreneurs took part in the meeting held in Linz, Austria, 2-5 September. More than 40 people flew across the Atlantic from the United States alone to the territorial capital built on two sides of the Danube. American persons of note included Governor Norman H. Bangartner of the state of Utah. He embarked on a month-long journey in East Europe to learn about investment opportunities, and also so that the professionals who accompanied him could tell what they have to offer the economy of a region ready for renewal. Bank of America Chairman A. W. Clausen, past chairman of the World Bank, also took part in the three-day conference.

On the Hungarian side, Minister of International Economic Relations Bela Kadar was the main speaker at one of the three plenary sessions. He also served as the contact point for the section which dealt with opportunities in Hungary. His presentation was received with great interest. Questions asked revealed the fact that conditions and investment opportunities in Hungary are of interest not only to financial and business circles in West European countries, but also to entrepreneurs in the state of Utah, a place rather distant from Hungary in geographical terms.

The Linz conference is part of a series of functions started in 1985 by the late Wayne Brown. Brown organized the first meeting in Salt Lake City to invigorate the then stagnating economy of that area. Based on the resounding success of the first meeting, subsequent meetings were organized outside the United States (in Australia and in England, and in Austria this year). The goal of these meetings is to have the economic and financial professionals and researchers of the various regions meet, and to enable them to find partners to realize their ideas. (We presented a detailed report concerning the beginnings of meetings thus far in our No 29/1990 issue.)

After learning the details of changes in Hungary, Wayne Brown Institute Chairman Robert K. Rogers decided to visit Budapest with two of his associates after the Linz meeting. These were Jock O'Connel and Guilford Price. The purpose of their visit was to obtain more information concerning the transformation, and to examine the conditions for organizing a symposium in Budapest. During the two-day visit, they not only became acquainted with the Capital and with the practical conditions for organizing a conference, but they also met with representatives of the cabinet and of the Capital City Council, and with leaders of the Economic Chamber, the National Association of Artisans [KIOSZ] and of IBUSZ [expansion unknown].

On the basis of favorable impressions obtained in regard to the political and economic transformation in Hungary, they decided to examine the possibility of organizing their next, sixth meeting, dealing with joint investments in Budapest. In case a favorable decision is reached, the Editorial Board of MAGYARORSZAG will be the sponsor and organizer of the meeting.

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